

# Public Utilities

FORTNIGHTLY

VOL. XVII; No. 1



JANUARY 2, 1936

## Uncle Sam's Stake in the Power Business

Ostensible quest for lower electric rates has involved government in developments estimated to cost a billion dollars, including navigation improvement, reclamation, flood control, and other incidental benefits.

By GEORGE E. DOYING

THE electric power program of the United States Government, including some associated work in the way of navigation, reclamation, flood control, etc., already involves expenditures aggregating more than a billion dollars. Only 55 per cent (\$589,000,000) of this amount has

been made available by direct appropriations and allocations from the "emergency" public works funds, leaving nearly another half billion dollars to be supplied to complete the projects now under construction.

This tremendous investment is ostensibly designed to provide an abundance of "cheap" electricity—already enjoyed through private enterprise by approximately four fifths of all the families in the country. It is predicated upon the theory that the 21,000,000 homes using electric service are paying too high a rate—not

EDITOR'S NOTE.—This article is based upon a survey made by the author and published in the form of a map and chart by P.U.R. Executive Information Service, of which he is editor. Differences between figures in this article and those in the chart are due to changes in allotments made by the Public Works Administration since the original tables were compiled.

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that they are spending too large a part of their income. The plan is to increase consumption in a greater proportion than the rate is decreased, hence the householder would actually be paying more in dollars for his electric service.

The great bulk of the government's stake in the power industry is concentrated upon nine Federal developments, but nearly \$150,000,000 goes to 13 state and district power projects and 175 municipal electric plants. The government has already given away, through PWA grants, \$27,375,935 to these local projects. The same group has been the recipient of Federal loans aggregating \$54,600,000. Direct appropriations and PWA grants already made to the Federal projects aggregate nearly \$400,000,000.

**T**HE largest single item among the Federal projects is the Tennessee Valley Authority, which of itself embraces seven dams, all actual or potential power sites. Only the estimated cost of these dams, together with plants and equipment and the accompanying transmission and distribution systems, is taken into account in the \$265,000,000 assigned to this enterprise. Many additional millions are being and will be used for experimentation and providing "a more abundant life" for the valley inhabitants. The dams, of course, are planned to improve navigation of the Tennessee river, prevent floods, etc., as well as provide means for the generation of power. Naturally, not all of the \$265,000,000 will be charged against power production, but there is substantial evidence to indicate that power is the mainstay of the whole scheme.

The total for the TVA is reached by taking the sum of the following items:

Wilson Dam .....	\$20,000,000
Norris Dam .....	36,000,000
Joe Wheeler Dam .....	27,000,000
Pickwick Dam .....	24,000,000
Guntersville Dam .....	17,000,000
Chickamauga Dam .....	15,000,000
Hiwassee Dam .....	12,000,000
Plant and equipment .....	14,000,000
Transmission and distribution	100,000,000
Total .....	\$265,000,000

To do this work, only \$111,000,000 has so far been provided, not including authority to issue \$50,000,000 of bonds for general purposes and another \$50,000,000 to be used as a revolving fund during the next five years in helping municipalities to acquire distribution systems, etc. Whether the money comes from bond issues or otherwise, the TVA will need \$154,000,000 to complete the work now in progress or definitely planned, in addition to large expenditures for social work and the numerous other activities in which this agency is engaged.

**B**OULDER dam is the only Federal power project of importance started before the Roosevelt administration. It is listed at a cost of \$108,660,000, which does not include the All-American canal at \$38,500,000 and interest during construction, \$17,700,000, bringing the grand total to \$165,000,000. All of the cost of the dam and power plant has been appropriated by Congress (\$60,000,000) and allocated from the "emergency" public works funds.

The policy of plunging the government into power developments without specific congressional approval began with the allocation of \$15,000,-

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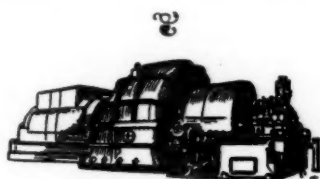
000 by the Public Works Administration for what was then planned as a \$63,000,000 low dam with power installation at Grand Coulee, on the Columbia river in Washington. The allotment was originally made in the form of a loan and grant to the state of Washington, but the state found some difficulty (or lack of desire) in making the necessary arrangements. So the job was taken over by the Bureau of Reclamation, which meant that the same work would be done at the expense of the Federal government. Subsequently, the plans were changed and it was decided that the immediate construction would be confined to the beginning of the high dam so long sought by a portion of the state. This will provide for the reclamation of something like 1,400,000 acres of land in addition to the production of more electric power than Boulder dam and TVA combined.

The ultimate cost of this vast development has been estimated at vari-

ous figures reaching as high as \$300,000,000. For immediate purposes, however, only the cost of the construction now under way has been taken into account. It is \$60,000,000. A second PWA allocation, amounting to \$20,000,000, brought the available money to \$35,000,000 leaving \$25,000,000 to come from future appropriations. The dam will be of little value, however, after the \$60,000,000 has been spent. That sum includes no facilities for power production. Therefore, it is inevitable that still greater appropriations will be sought to complete the so-called high dam.

**T**HE Fort Peck project is primarily designed to control the waters of the Missouri river and its tributaries. It will also produce considerable power in a barren section of Montana. The entire development is estimated to cost \$86,000,000 of which \$71,000,000 has been allocated from PWA funds, leaving \$15,000,000 to come.

Bonneville is a \$55,000,000 project



### Federal Projects

	Total Estimated Cost	Appropriated	Balance to Be Supplied
Tennessee Valley Authority .....	\$265,000,000	\$111,000,000	\$154,000,000
Central Valley (Cal.) .....	170,000,000	15,000,000	155,000,000
Boulder Canyon (Ariz.-Cal.) .....	108,660,000	108,660,000	.....
Fort Peck (Montana) .....	86,000,000	71,000,000	15,000,000
Grand Coulee (Wash.) .....	60,000,000	35,000,000	25,000,000
Bonneville (Oregon) .....	55,000,000	32,200,000	22,800,000
Passamaquoddy (Maine) .....	36,000,000	5,000,000	31,000,000
Casper-Alcova (Wyoming) .....	22,700,000	20,000,000	2,700,000
Bluestone Reservoir (W. Va.) .....	12,942,000	1,000,000	11,942,000
<b>Totals .....</b>	<b>\$816,302,000</b>	<b>\$398,860,000</b>	<b>\$417,442,000</b>

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on the Columbia river in Oregon, mainly for the production of power. The PWA has allotted \$32,200,000, so that the government will have to dig up \$22,800,000 more to complete the work.

CASPER-ALCOVA is a combination power and reclamation project in Wyoming, estimated to cost \$22,700,000. The PWA has financed this development to the extent of \$20,000,000, leaving a mere \$2,700,000 for the future.

The Central valley project in California, like Grand Coulee in Washington, was planned as a state development. The people of California voted in favor of a \$170,000,000 bond issue to finance it. Again the Bureau of Reclamation stepped in and made it a Federal project, and the PWA allotted \$15,000,000 as a starter. That leaves \$155,000,000 which Congress no doubt will be asked to appropriate—or the President may allocate it from future public works funds. In addition to providing for a large production of power, the project will supply water to a fertile section of the state.

The story of Passamaquoddy has been told too often to justify a repetition here. Suffice it to say that this plan for harnessing the tides and using them to produce electric power was scaled down from \$100,000,000 to \$36,000,000 and then received a PWA allotment of \$10,000,000, which was later reduced to \$5,000,000.

The Bluestone reservoir on the New river in West Virginia is the latest project started on its way with a comparatively modest contribution from public works funds. The total esti-

mated cost is \$12,942,000 and President Roosevelt, by executive order, has authorized the use of \$1,000,000, mainly for the purchase of the necessary land.

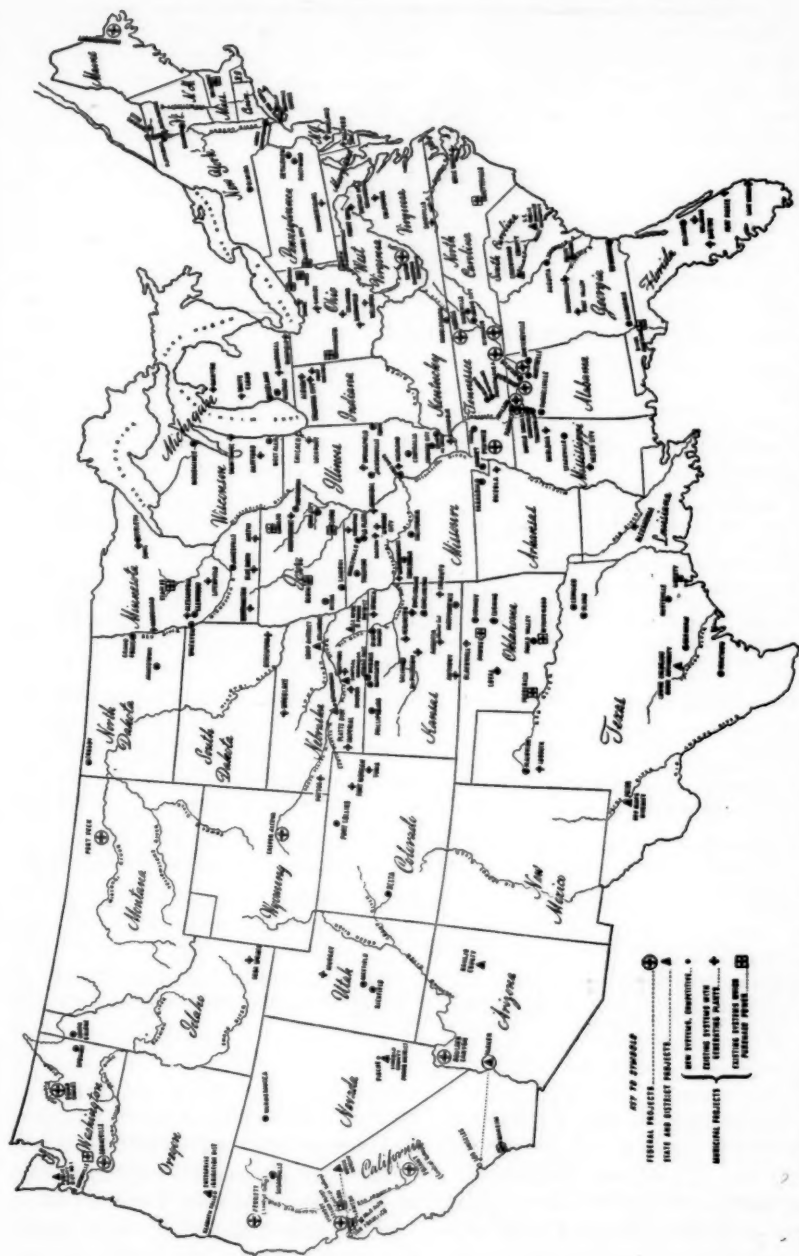
THE nine projects involve estimated expenditures totaling \$816,302,000. Appropriations and allocations amount to \$398,860,000, leaving a balance of \$417,442,000 to be supplied hereafter. The tale is told in tabular form as outlined on page 5.

This tabulation ignores 40 comparatively small irrigation projects under the protecting wing of the Bureau of Reclamation. Most of these have been in existence for several years, but several have been enlarged or otherwise benefited by PWA allocations during the last two years. The total of Federal expenditures on these projects to June 30, 1935, was \$224,717,685.

NEXT come the state and district projects, with a total estimated cost of \$116,600,754. All but four of these have been completely financed by Federal loans and gifts aggregating \$54,658,754, which is less than half the grand total needed. This is due mainly to the situation affecting the Santee-Cooper development in South Carolina. A state public service authority was created by the South Carolina legislature to carry on this project, but so far it has succeeded in getting only \$500,000, "for preliminary work," from the Federal government. President Roosevelt, however, has been quoted as telling the South Carolinians that the rest of the money will be forthcoming. The Lower Colorado River Authority in Texas also needs an additional \$5,000,000 for its



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FEDERAL, STATE, AND MUNICIPAL ELECTRIC DEVELOPMENTS INCLUDED IN THE POWER PROGRAM OF THE UNITED STATES GOVERNMENT—AS OF OCTOBER, 1935

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## State and District Projects

Location	Total Estimated Cost	Total Loans and Gifts by Government	Loans	Gifts
<b>ARIZONA:</b>				
Navajo County .....	\$148,000	\$148,000	\$106,600	\$41,400
<b>CALIFORNIA:</b>				
Metropolitan Water District (Los Angeles) Parker Dam <sup>1</sup> .....	13,000,000	2,000,000	1,400,000	600,000
San Francisco: Hetch Hetchy <sup>2</sup> .....		1,058,000		1,058,000
<b>NEBRASKA:</b>				
Central Nebraska Public Power & Irrig. District .....	20,000,000	10,000,000	5,500,000	4,500,000
Loup River Public Power Dist. ..	8,700,000	8,700,000	7,525,000	1,175,000
Platte Valley Power & Irrig. Dist.	9,700,000	9,700,000	7,250,000	2,450,000
Southeastern Nebraska Public Power District .....	575,000	575,000	405,500	169,500
<b>NEVADA:</b>				
Lincoln County Power District ..	1,120,000	1,120,000	784,000	336,000
<b>OREGON:</b>				
Enterprise Irrigation District ..	63,636	63,636	35,000	28,636
<b>SOUTH CAROLINA:</b>				
Greenwood County .....	2,852,000	2,852,000	2,195,000	657,000
S. C. Public Service Authority	37,500,000	500,000	275,000	225,000
<b>TEXAS:</b>				
Lower Colorado River Authority	20,000,000	15,000,000	10,500,000	4,500,000
Red Bluff Water District .....	2,884,000	2,884,000	2,114,000	770,000
<b>WASHINGTON:</b>				
Public Utility Dist. No. 1 .....	58,118	58,118	32,000	26,118
<b>Totals .....</b>	<b>\$116,600,754</b>	<b>\$54,658,754</b>	<b>\$38,122,100</b>	<b>\$16,536,654</b>

<sup>1</sup> Parker Dam being constructed by U. S. Bureau of Reclamation for the District.

<sup>2</sup> The Hetch Hetchy power and water development was started prior to the Roosevelt administration, but received a Federal grant in 1934.



\$20,000,000 project, and the Metropolitan Water District of Los Angeles is short \$11,000,000 of the \$13,000,000 required for Parker dam. The Central Nebraska Public Power and Irrigation District has received a gift

of \$4,500,000 and a loan of \$5,500,000 toward a project estimated to cost \$20,000,000. For a complete list of projects see tabular form above.

Municipal ownership of electric utilities has been given a tremendous

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boost under the fostering guidance of the Public Works Administration, which is contributing financial support to 175 municipalities for the improvement or enlargement of existing publicly owned plants or for the building of new systems to compete with privately owned utilities. Loans ranging from \$2,500 to \$1,950,000 and aggregating \$17,337,516 have been made, or authorized, to 100 cities and towns. All of these communities and 75 others which borrowed nothing from the government are recipients of gifts totaling \$11,547,754. About half of these gifts, or grants, were made from the first public works appropriation of \$3,300,000,000, later increased by \$400,000,000. They were made on the basis of 30 per cent of the cost of labor and materials used on the project. When, in 1935, the President was given a new fund of \$4,400,000,000, the grant was boosted to 45 per cent of the total cost of the project. Thus, in this case the early bird got a worm, all right, but it was not as fat and juicy as the late comer received.

**M**ANY stumbling blocks have beset the efforts of the PWA, under the direction of Administrator Harold W. Ickes, to encourage municipalities to establish electric utilities. In some cases state laws interfered with the program favored by the PWA. To meet that difficulty, President Roosevelt wrote to the governors, suggesting that the PWA legal staff would cheerfully draft remedial legislation for enactment by the state legislature, provided the governor would so request. It was done, too, in several instances.

One notable setback came from New Jersey, where the governor and legislature declined to agree with Administrator Ickes that the state law must be changed to permit the city of Camden to receive a \$6,000,000 loan and grant. The result was that the PWA allocation was rescinded.

In 30 of the 83 places where the PWA offered to finance the construction of generating plants or distribution systems, or both, notwithstanding that the communities were being served by privately owned utilities, court action has been instituted to prevent the threatened competition. At this writing, a test case (Hominy, Okla.) is pending in the District of Columbia Court of Appeals, with the prospect that the losing side will appeal to the Supreme Court of the United States.

**I**N addition to the direct Federal construction of new power systems and the financing of others for local public agencies, President Roosevelt created the Rural Electrification Administration, with Morris Llewellyn Cooke as director. From the 1935 public works appropriation, \$100,000,000 was set aside for loans to public and private agencies which could secure REA approval of plans to extend electric service to farmers. No grants were to be made for this work, but each approved project was to be self-liquidating and therefore, presumably, would return to the Federal Treasury the full amount of the investment, plus interest.

However, six months after its establishment the REA had approved only two loans and U. S. Senator George W. Norris of Nebraska came

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### Summary of Government Expenditures on Power Program Including Associated Navigation and Reclamation Work, Etc.

Expenditures for:	Total Estimated Expenditures (Present Plans)	Appropriations, Loans and Gifts Already Made by Government	Repayments Expected from Borrowers
Federal Projects .....	\$816,302,000	\$398,860,000 <sup>1</sup>	.....
State and District Projects .....	116,600,754	54,658,754 <sup>2</sup>	\$38,122,100
Municipal Projects .....	37,500,000	28,885,270 <sup>3</sup>	17,339,016
Rural Electrification .....	100,000,000	100,000,000	100,000,000
Electric Home & Farm Authority ....	1,000,000	1,000,000	1,000,000
National Power Survey .....	400,000	400,000	.....
Electric Rate Survey .....	425,000	425,000	.....
National Power Policy Committee ....	100,000	100,000	.....
River Utilization Surveys .....	1,500,000	1,500,000	.....
<b>Totals .....</b>	<b>\$1,073,827,754</b>	<b>\$585,829,024</b>	<b>\$156,461,116</b>

<sup>1</sup> \$417,442,000 will be required to complete Federal projects now under construction.

<sup>2</sup> \$62,000,000 will be required from Federal or local sources to complete these projects.

<sup>3</sup> \$8,614,730 is estimated amount supplied from local sources for municipal plants.



out with a suggestion that subsidies should be provided for rural electric lines, the ensuing service to be rendered "without profit" (i. e., by publicly owned power systems).

The Electric Home and Farm Authority, with Federal capital of \$1,000,000 and a credit of \$10,000,000 at the Reconstruction Finance Corporation, was established originally to promote sales of electric appliances in the Tennessee valley. This agency has been reorganized and made an adjunct to the REA as a further aid to farmers who want electric service.

Another \$1,500,000 is being spent by the government on "river utiliza-

tion surveys." One of the purposes of most of these surveys is to determine where new hydroelectric plants can be built. Then there is the \$400,000 being spent by the Federal Power Commission on a National Power Survey to show why, when, and where new generating facilities should be established.

**T**HE National Power Policy Committee (with \$100,000 from the original public works fund) is composed principally of the Federal officials in charge of the Federal power projects—PWA Ickes, TVA Lilienthal, FPC McNinch, Mead of the

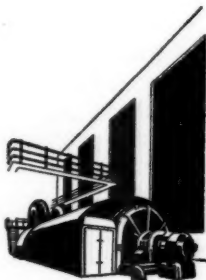
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Bureau of Reclamation, Healy of the SEC, Norcross of the Forest Service (representing the FPC in the national forests), and Markham of the U. S. A. Corps of Engineers. A sort of tweedle-dum, tweedle-dee proposition.

Placing together the segments of the picture as outlined above, the tabulation on page 10 appears.

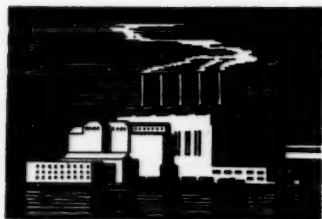
This, however, depicts the situation only as it existed November 1, 1935, and even then it is incomplete in that

it does not include numerous large expenditures for the construction of dams which are potential power sites. No attempt has been made to list a great array of proposed power developments estimated to cost hundreds of millions of dollars but which have not received financial aid from the government. More will be heard of them later. But it is apparent that Uncle Sam's stake in the power business is already enormous.



### A Lucky Pioneer of Electric Science

**I**T was during experiments with the ancestors of modern storage batteries—Leyden jars—that Benjamin Franklin almost killed himself with an accidental shock through his head. From this experience he strongly suspected an affinity between electricity and lightning. He resolved to test this theory by flying a kite during a severe storm. He correctly surmised that a lightning bolt would likely contact a piece of wire on the kite and travel down a rain drenched hemp line to a metal key fastened near the ground end. After some moments of flying, Franklin perceived that the fibers of the hemp bristled "like the tail of an offended cat." At this point Franklin stretched forth his hand to touch the key so as to make sure of the presence of electricity. Only a spark and a harmless crackle resulted, proving Franklin's theory sound but leaving him unharmed. He never knew how lucky he was. When word of his experiment reached Europe kites were flown everywhere. Professor Richmond of St. Petersburg was electrocuted when he touched a key under similar circumstances. Other injuries were reported before the dangerous nature of such tests was recognized.



## What Is the Proper Field for Public Ownership?

Some businesses, in the opinion of the author, should be publicly owned and operated; some should or might be operated by a public corporation; some should be subject to public control without public ownership; and some would best be left to private ownership and operation, though subject to some degree of government regulation.

By RT. REV. JOHN A. RYAN, D.D.

**P**UBLIC UTILITIES FORTNIGHTLY for June 6, 1935, carried an article under the heading, "Can Public Ownership Be Stopped with the Utilities?" The conclusion to which the article seemed to point was that the question must be answered in the negative. It implied that if the utilities are brought under public ownership many other industries will go the same way.

There was also raised the question whether the phrase, "public utilities," should not take in such commodities and industries as coal, milk, banking, and rentals. Thus, the sphere of government ownership could be greatly extended without going beyond the so-called public utilities. This is not only an interesting subject but one of great importance from the standpoint of governmental policy. Undoubtedly

the long-recognized restriction of this phrase to natural monopolies in the field of transportation, power, lighting, and communication, is lacking in logic, even though it enjoys the sanction of the courts.

**I**N *Wolff Packing Company v. Court of Industrial Relations*<sup>1</sup> in the state of Kansas, Chief Justice Taft declared that the feature which affected a concern with a public interest was the "indispensable nature of the service and the exorbitant charges and arbitrary control to which the public might be subjected without regulation." The first of these conditions attaches to a great many other goods and services as certainly as it does to the utilities just enumerated. The second condition is likewise verified, at least now

<sup>1</sup> 262 U. S. 522, P.U.R.1923D, 746.



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and again, in the case of many other things than public utilities strictly so-called; for example, milk, meat, coal, and petroleum products. Therefore, they might logically be put in the class of public utilities or businesses "affected with a public interest."

**A**s Justice Roberts remarked in *Nebbia v. New York*:<sup>2</sup>

The phrase "affected with a public interest" can in the nature of things mean no more than that an industry, for adequate reason, is subject to the public good. . . . But there can be no doubt that upon proper occasion and by appropriate measures the state may regulate a business in any of its aspects, including the prices to be charged for the products or commodities it sells.

While Justice Roberts has logic and common sense on his side, it does not follow, that all businesses "affected with a public interest" are as suitable for public ownership as those industries which have been traditionally known as public utilities. Something more than the indispensableness of the product and the need of protection against "exorbitant charges and arbitrary control" is necessary in order to justify public ownership. Where the line should be drawn between industries which demand public ownership and operation and industries which require one or other form of public control, I shall try to indicate later.

At the outset, we are met with the question (sometimes raised by those who are apprehensive about complete socialization) whether public ownership, once installed in the utility field, will not, by a process of gradual attrition, spread to industrial fields not now regarded as public service at all.

**S**OME months ago, a vice president of the Chesapeake and Ohio Rail-

road Company was quoted in the press as declaring that government ownership of railroads would lead to ultimate public ownership of all industries. If the government were in the railroad business, he said, "it would logically soon have to go into the business of supplying its needs also." This does not follow at all. Why should the government, any more than the private owners of railroads, find it necessary to own coal mines or steel mills or lumber concerns? Why does not the government now supply the needs of the Post Office Department by manufacturing mail boxes, mail sacks, trucks, and a hundred other instrumentalities which are essential to the business of carrying and delivering mails? True, Henry Ford owns and operates several industries which are subsidiaries to the motor industry but no such extension of operations has been made by General Motors.

The control of the Western Electric Company by the American Telephone and Telegraph Company may be a convenience and may be profitable, but it is in no genuine sense essential to the provision of telephone and telegraph communication. Neither would the government, if it owned the telephone and telegraph industries, need to manufacture the telephones.

**T**HE fact that TVA has in the past found it advisable to make use of a subsidiary, the Electric Home and Farm Authority (a relationship now dissolved, I understand) to promote and finance the distribution of electric appliances, proves nothing except the lack of enterprise on the part of private corporations in this field. If the latter were sufficiently alert to perceive

<sup>2</sup> (1934) 291 U. S. 502, 2 P.U.R.(N.S.) 337.

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TABLE I

### Universal Wants for Minimum Health and Decency

<i>Item</i>	<i>Industries Concerned (Partial List Only)</i>
Water	Water supply, flood control, afforestation.
Food, balanced diet	Wheat, corn, cattle, fisheries, meat packing, canning, creameries, processing, imports of coffee, etc.
Shelter; sound, sanitary housing and furnishings	Construction industries, furniture, textiles, plumbing supplies, ceramics, electrical appliances, hardware, glass, paint, etc.
Clothing, for protection and decent appearance	Production of cotton, wool, silk, rayon, linen, leather, rubber, boots and shoes, garment making, hats, etc.
Education, through high school; adult education	Public schools, textbooks, stationery, furniture, libraries, museums.
Health, adequate protection	Sanitation, hospitals, doctors, opticians, nurses, drugs.
Recreation	Parks, playgrounds, theaters, motion-picture photography, musical instruments, lodges and clubs, simple sports—playing and watching.
Transportation, to work, to procure supplies	Passenger service, railroads, trolleys, busses, motor cars, ferries, boats.
Communication	Mails, telephone, telegraph, radio, newspapers, magazines.
Personal services and supplies	Barber shops, tobacco, gifts, laundries, watches, toilet articles, funerals, etc.



the wider market available for electric appliances at reasonable prices, TVA would undoubtedly have kept out of this field.

It has been noted that this EHFA, under its charter, has the power to manufacture appliances. This power, it appears, has never been exercised but merely held over the private manufacturers as a threat to compel reasonable prices. So long as the threat is sufficient, there is no need for the government to go into subsidiary industries. This may be made an effective substitute for public ownership and operation and it is susceptible of extension into many more industries than that of power and light production.

The comment in the FORTNIGHTLY,

already mentioned, presented several paragraphs from a magazine article by the nationally known writer-economist, Stuart Chase, and concluded that Mr. Chase would leave a relatively small portion of business and industry outside the sphere of public ownership. The implication of the comment on Mr. Chase's article seemed to be that the latter was logical and that no one could reasonably favor public ownership of public utilities without being willing to extend this method to practically all industry. One fundamental defect in this argument is the assumption that every thing which Mr. Chase denominates "public business" is a proper subject for public ownership.

**T**HIS is not, in my opinion, an accurate interpretation of Mr.

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Chase's position, for in the very passage quoted by the FORTNIGHTLY commentator, Mr. Chase said:

It follows that they (things essential to material well-being) are *prima facie* public business. It may or may not follow that the community should own or operate them, but at least the community must see to it that the supply comes through.

Indeed, Mr. Chase appears to have given this subject very careful study. In his most recent book "Government in Business," he has drawn up three tables of various industries and businesses classified according to Mr. Chase's conception of public interest. For purposes of further discussion, Mr. Chase's three tables are reproduced herewith. Referring to his List A (Table I), Mr. Chase says,<sup>3</sup> "public business should be dominant at least to the extent of restraining private enterprise from twisting or checking the flow," and declares that the same conclusion holds for List B (Table III). The author also states<sup>4</sup> that the private individual may con-

tinue "his business in many industries under Lists A and B, subject to state control, but not state ownership." Furthermore, he divides<sup>5</sup> "public business" into three main forms, namely, majority regulation, control without ownership, and ownership and operation by the state.

It is no part of my intention either to refute or to signify agreement with Mr. Chase's three tables or his conception of the field of public ownership. In passing, however, I might say that of the subjects in List A (or Table I) I find only four which properly or necessarily come within the field of public ownership, namely, public schools, some hospitals, transportation, and communication, with the exception of newspapers and magazines. In his List B (Table III), I would specify only coal, oil, natural gas, water power, electricity, and the other metal and mineral deposits which he puts under the head of "metallic complex" (not, however, steel making),

<sup>3</sup> Page 138, "Government in Business" by Stuart Chase.

<sup>4</sup> Page 168, "Government in Business" by Stuart Chase.

<sup>5</sup> Page 217, "Government in Business" by Stuart Chase.



TABLE II

### Elastic Wants, Luxuries, and Preferences above Minimum Base

Fancy foods and drinks	Imported and exotic delicacies, confectionery, vintages.
Fancy housing	Domestic service; luxury furnishings such as hand-made goods, period furniture, objets d'art; interior decorating, landscape gardening.
Fancy and fashion clothing	Custom-made garments, extreme fashions, rare fabrics, furs, lace.
Higher education	Universities, foreign travel, private libraries, symphony concerts, private schools.
Fancy recreation	Florida, the Riviera, motor boats, yachts, sporting outfits, cruises, resorts, gambling, hunting, horse racing, hobbies, and collections.
Personal service	Jewelry, cosmetics, beauty shops, valets, clubs, etc.



TABLE III

## Underlying Industries and Services (Partial List)

Agriculture, fisheries.  
 Forestry, lumber.  
 Energy complex—coal, oil, natural gas, water power, electricity.  
 Metallic complex—ores, steel making, manganese, nickel, tin, chromite, tungsten, copper, lead, zinc, mercury, etc.  
 Chemical complex—chemical industries, nitrates, sulphur, potash, phosphates, rubber, etc.  
 Cement.  
 Clay, brick manufacturing, stone, sand, and gravel.  
 Construction industries—capital goods.  
 Machine making—capital goods, presses, lathes, etc.  
 Paper and printing.  
 Freight transport—railways, highways, waterways, pipe lines.  
 Distribution agencies—retail, wholesale, warehousing, refrigerator service, etc.  
 Import and export traffic.  
 Banking, brokerage, and insurance.  
 Professional services—engineering, architectural, law, accounting, etc.  
 Government service—army, navy, courts, civil service, etc.



freight transportation and government service. My belief in the public ownership and operation of public utilities does not logically compel me to accept even these extensions of government ownership. They present their own reasons for being so treated. Moreover, they might be distributed among the first three of the classifications that I am about to make.

It seems to me that from the viewpoint of ownership and control businesses may be divided into four classes:

(A) Those which should be owned and operated by the government, Federal, state, or municipal;

(B) Those which should or might be operated by a public corporation, such as TVA, whether or not they are governmentally owned;

(C) Those which should be subject to public control without public ownership;

(D) Those which are best left to private ownership and operation, even though subject to some degree of government regulation.

UNDER Class A, I would put what are commonly known as public utilities. The most significant feature of these is that they are natural monopolies and therefore not capable of regulation by competition. If they could be regulated by the public au-

## WHAT IS THE PROPER FIELD FOR PUBLIC OWNERSHIP?

thority in such a way as to assure adequate services and fair prices to the consumer together with fair remuneration for labor, public ownership and operation would not be necessary. Abundant experience has shown, however, that public regulation cannot attain these ends. This does not mean that the government must immediately own and operate all these natural monopolies. For example, the railroads do not seem to be in a favorable position to be taken over by the government at this time, while the electric power industry probably can be adequately regulated and controlled for some time by the use of the yardstick method, that is, government competition.

Under Class B, those industries which should or might be operated by a public corporation, I would put coal mining and the extraction of petroleum and other deposits. The distribution of milk in the cities could be carried on by this method, although consumers' coöperatives might prove more desirable.

To Class C, those industries which should be subject to public control without public ownership, belong the production and marketing of certain agricultural products under the AAA, the control of certain products in Australia under the Agricultural Marketing Acts, and the distribution of electricity under the British government corporation known as the "British Grid."

**I**N some cases public ownership without public operation might be a good arrangement, for example, timber lands in relation to the lumber industry. The line between Classes B

and C is not rigid. Class D, those industries which are best left to private ownership and operation, comprises the vast majority of industries. What they need most is a reorganization or reconstruction according to the device of "occupational groups" as recommended by Pope Pius XI. In other words, a revived and amplified NRA is called for. With code organizations and code authorities including, which the NRA did not include, adequate participation and coöperation by representatives of labor, private industries could regulate themselves to their own advantage and for the best interests of the common welfare but subject to the control and supervision of the government.

Our country is too large and our industries too complex and varied to be brought successfully under any one form of control or ownership. We do not want either ownership or control to be all public or all private. We want both principles to be sometimes exemplified in the same industry. And we want the largest practicable measure of coöperative enterprise. This is neither public nor private in the ordinary sense.

The only proper test of desirable ownership or operation or control is the common good. This necessarily means different methods in different industries. To say that a belief in the public ownership of one or two or half a dozen or a dozen industries necessarily commits one to advocacy of this method in all or even a majority of industries is to make a purely gratuitous assertion. It is to inject into the situation an entirely artificial logic and an utterly fallacious conception of consistency.

**PUBLIC UTILITIES COMMISSION  
OF THE TERRITORY OF HAWAII  
HONOLULU, T. H.**

December 5, 1935

Mr. Henry C. Spurr, Editor  
Public Utilities Fortnightly  
Washington, D. C.

Dear Mr. Spurr:

We are taking this opportunity of communicating with you and your entire staff as a means of bringing into closer relationship our Commission, of the Territory of Hawaii, an integral part of the United States, with public utility activities in the continental United States.

This letter is forwarded to you as a message of greetings and good will by the "China Clipper," Pan-American Airways, on her official maiden voyage which is a scientific and forward step to disprove the old adage that was in effect "East and West do not meet."

It is with gratification that we of the Territory of Hawaii now have the satisfaction of knowing that when assistance is required it may be quickly obtained by using the fast method of communication now afforded through the inauguration of the new Pan-American air line between Hawaii and the mainland United States.

With Aloha from the writer and each member of the Public Utilities Commission of the Territory of Hawaii, we are

Very truly yours,

Public Utilities Commission  
of the Territory of Hawaii

By *J. O. Boyer*  
Chairman





WE congratulate the Pan-American Airways for the daring initiative which has made this new service between the Territory of Hawaii and the mainland of the United States possible; and we also congratulate the Public Utilities Commission of the Territory of Hawaii for its prompt recognition of this means of communications making Hawaii more than ever an integral part of the United States.

Best wishes to Pan-American Airways and to every member of the Hawaiian Commission and their staff.

It is said that the first iron steamship which crossed the Atlantic carried a learned treatise,

based upon scientific information then available, in which it was said it would be impossible to cross the sea in an iron vessel.

While we now look with more sympathy than people generally once did on courageous pioneers seeking to extend the frontiers of applied science, there are many even in this day who are discouraged because they think our economic frontiers have reached their limit.

But there is plenty of room left for pioneers in that domain. And there will be plenty of pioneers who will extend that frontier, nobody can say how far.

Best wishes also to them.

—PUBLIC UTILITIES FORTNIGHTLY



# The Big Power Company and the Small Town

A problem in public relations

By RALPH B. COONEY

**N**EARLY everyone of the slightest importance in the electrical utilities field has, at one time or another, had something to say on the subject of public relations. However, when boiled down to their essence, far too many of these earnest pronouncements turn out to consist of a lot of words which succeed only in stating three vague generalities:

1. The problem of proper public relations is one of the most important in our business.

2. We ought to try to make people like us.

3. Successful public relations are established at the point of contact with the ordinary, everyday consumer.

I haven't read all the speeches made or all the papers written on the subject, but I've gone through a good many. There are nine words of pious hope for one of concrete suggestion.

This article, then, represents an attempt to study some of the specific elements involved in just one public relations problem—that presented by the

community of from 2,500 to 25,000 people—the community which we may, as a matter of convenience, identify as the typical county-seat town.

Not every community in this population class centers around a courthouse square, but most of them share the characteristics we have in mind when we apply this designation.

**T**HERE are some 1,800 towns and small cities of this type scattered across the American scene, and considered by themselves they may not loom up as having great importance—after all, they account for only 16 per cent of our national population. But their sphere of influence extends far beyond their town limits. They are the key centers for all but a small suburban fringe of that 44 per cent of the people of the United States who live in small villages or on farms. Eighteen hundred pebbles thrown into these 1,800 pools set up ripples which touch at least 55 per cent of the American public.

These are the points at which the

## THE BIG POWER COMPANY AND THE SMALL TOWN

great worlds of trade and finance and government and culture come together on common ground with that other great world which is rural America.

These are the places where the farmers' automobiles line the curbs on Saturday nights; where the young folks come for dances and movies; where the older people do their selling, their buying, and their banking. These are the places where taxes are paid and lawsuits settled. These are the places where the countryside's newspapers are printed; where the county's political organizations have their headquarters.

These are the places where the big regional power companies have their branch offices!

Under such circumstances one would expect to find the electric utility companies devoting considerable energy to the creation and maintenance of a carefully planned public relations policy in the county-seat towns throughout their territories. Yet such does not appear to be the case.

**D**URING the past summer I had occasion to visit the Middle West and renew acquaintance with a number of people I used to know, many of them living in towns of this type. Talking to them—not as an investigator or as a reporter but as someone they knew personally—I soon became convinced that the power companies, particularly the big network companies, had either failed to recognize the importance of these key communities in their public relations program, or recognizing it, did not know how to go about getting the desired results.

While I believe that the second answer is the correct one, it might be worth while to review briefly two or three of the reasons why correction of this lapse is indeed important.

We have already noted that over half the people of this country live either in or under the direct influence of county-seat towns. Even though many of these people are not consumers of electric power, they contribute their part to the formation of that slow-moving but eventually omnipotent force called public opinion. More specifically, they participate in the selection of the men who make and enforce the laws under which the utility companies conduct their business.

It is well to remember, in this connection, that fully half of the members of the Congress of the United States give small towns as their home addresses. Also that, with but one or two exceptions, every state legislature in the country is controlled numerically by men from communities of 25,000 and under.

**A**s I understand it, the function of public relations work has a goal more important and more lasting than the mere procurement of friendly legislation. Nevertheless, the nature of utility legislation stands as at least a partial barometer of the confidence displayed toward the utility companies by the public generally. And remembrance of the part which men with small-town backgrounds play in the formulation of legislation may serve to drive home the importance of building up a favorable attitude in the communities whence they come.

There is also another reason why the county-seat town and the small

## PUBLIC UTILITIES FORTNIGHTLY

community generally should play an especially important part in the power companies' public relations program.

In most cities, electric power and light is provided by a company of local origin. While it may today actually be only one unit in some big utility system, it operates as a self-contained local organization and, in the minds of most citizens, is a local company. The consumer who fights with its representatives thinks only of having had a row with "the light company." It has remained a local issue. If his experience has, on the other hand, been a pleasant one, or if he approves of some civic activity undertaken by the company, he continues to think of it as a local institution.

The opposite is true in smaller places.

MANY of these towns had no electric service until some big company's power lines brought it to them. Many others had the experience of seeing a faltering local enterprise become effective only when a big outside company took it over, keying it into an efficient network system.

In both cases, the consuming public has been made fully aware that it is dealing with a big organism to which the individual community is but one of many small and, individually, unimportant parts. Even the name of the company proclaims its nature. People in Barnesville don't deal with

the Barnesville Light Company; they deal with the local office of the Northern Central Power and Light Company, a vague monster controlled from afar, concerning which they know next to nothing.

All this means that small-town people are particularly ripe for propaganda painting the big utility companies as soulless monsters. All this means that the men responsible for the electric company's public relations policies cannot afford to overlook the importance of evolving policies which will win for their organizations the respect and confidence of those who live in the smaller places.

Assuming that the utility executives of the country must understand this as well as or better than an outsider, the question arises as to why a better job is not being done.

The answer, judging from the comments made by my small-town friends and from my own acquaintance with small communities and their ways, is a fairly simple one. Not enough thought has been given to the strong personal basis upon which small town and rural people form their opinions and conduct their business.

WHAT is needed, first of all, is a clearer understanding of the exact nature of the local manager's job and of the factors which determine the amount of good or ill he can accomplish in the performance of his duties.



**Q** "WHERE a man comes from, how he talks, who he smiles at, what his wife wears, how much he puts in the plate on Sunday—are things which count for little in the impersonal lives of city people. But in a town of a few thousand folks, every lift of the eyebrow is noted and weighed."

## THE BIG POWER COMPANY AND THE SMALL TOWN

In small communities (including those of twenty to thirty thousand) he is the foundation upon which all public relations rest; and in making this observation, I am not thinking of his executive ability, his knowledge of the business, or his capacity for determining and interpreting policies. I am thinking of him as a man known by name and by sight throughout a whole town and the countryside surrounding it.

Where a man comes from, how he talks, who he smiles at, what his wife wears, how much he puts in the plate on Sunday—are things which count for little in the impersonal lives of city people. But in a town of a few thousand folks, every lift of the eyebrow is noted and weighed.

And the big organization, whether it be in the power business or any other, which would win friends in such a community must weigh them, too.

Here are some of the things that count:

**F**IRST of all, the local manager should come, if possible, from the same section of the country as that in which the community is situated. If it is a corn country, he ought to be a corn-country man. If it is a region of hard winters, he ought to be a man accustomed to hard winters. His background should be such as to make him sympathetic with the way of living and with the business and personal outlook of the people amongst whom he is to live.

He should really have been brought up in a town of about the same size, one known, at least casually, to the residents of his territory.

Despite the automobile, the radio, and the movies, despite occasional trips to the city, small-town and country people continue to show distrust of those whose clothes, mannerisms, or speech betray too strong an urban influence. And they continue to display resentment at the most innocent and casual comments by which the city-bred so much as hint at unflattering comparisons with city ways, city conveniences, city pleasures, or city opportunities.

Big utility companies which place city men as local managers in county-seat towns are setting up barriers to good will from the start. The man who, on the other hand, reveals himself as cut from the same sort of cloth as his fellow townsmen, who knows, perhaps, a few people they know, or who can talk about some of the general problems affecting that section of the state, is already on the road to community acceptance.

**T**wo warnings, however, should be heeded.

The man picked to serve in a given community should not come from a town which, for any reason, is considered a rival of that in which he is to be stationed.

No man should be appointed to serve as local manager in his own home town.

Small-town rivalries are apt to be rather petty affairs, but they bite deep. And they last for generations. Fifty years ago one community I know of got itself designated as county seat, wresting that honor from another town, less centrally located but better provided with railroad facilities. To-day, people of the two towns still



### The Small-town Utility Manager

*"Too many local utility managers rank as little more than head clerks in the offices to which they are assigned. They are not paid enough or given enough authority to make them appear consequential in the eyes of their neighbors. The man who commands respect in a small town must, by and large, be a man of some substance."*

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maintain the feud. Rivalries over high school basketball teams, post office building appropriations, the moving of a factory from one place to another, the location of a state highway, have hung on for years. Practically, of course, individual residents establish relations in accordance with personal likes or the dictates of business judgment, regardless of community attitudes. But any pronounced elevation of a man from one town is bound to awaken resentment in citizens of the other.

The dangers in promoting a hometown are even more serious.

Just as rivalries between towns hang on for years, so the petty ties and petty jealousies within a community persist for generations. When a man is made the responsible local executive for a great outside corporation—particularly one with a delicate public relations problem—his every act involves the reputation of his company in a labyrinth of personal likes and dislikes, feuds, and alliances which have been growing for as many

years as his family has been in that part of the country. No matter how fair or how able he may be, his business decisions and his personal affairs are going to appear all tangled up in the eyes of the community generally.

THE best man for the local manager's job is a man from another locality of the same sort. The picking is important, but more important still is what is done with, and for, the man once he has been selected.

It is on this point that I have gathered the sharpest criticisms of the utility companies' policies and procedure.

Too many local utility managers rank as little more than head clerks in the offices to which they are assigned. They are not paid enough or given enough authority to make them appear consequential in the eyes of their neighbors.

The man who commands respect in a small town must, by and large, be a man of some substance. He doesn't have to be the richest man in town;



## THE BIG POWER COMPANY AND THE SMALL TOWN

but he should be able to live as well as the local merchants and professional men. He should have enough money to live in one of the better houses on one of the better streets. He should be in a position to contribute his share to community enterprises, he should be able to join the town clubs, to give proportionate support to his church, to do a reasonable amount of entertaining.

And he should be able to do these things as an individual, out of his own pocket.

For he, as a person, means quite as much as an ambassador of good will as he does acting in the name of his company. If his economic status stamps him as a man of some importance in the life of the town his word, automatically, carries more weight than if he is too obviously one of the less affluent citizens of the community.

**A**LL this does not mean, however, that a local manager can exercise the greatest influence through merely being well paid. Either actually, or through closely concealed channels of contact, he should be able to speak promptly and authoritatively for his company on most local matters.

He should be able to make company contributions to civic projects as are permitted without undue delay and without recourse to a lot of involved red tape. He should have a reasonably free hand with local personnel problems. He should have the power to make minor adjustments on the spot. He should, ostensibly at least, control the placing of advertising in the local papers. And he should have sufficient free time to get around his territory, seeing people personally.

Most important of all, he should be able, when necessary, to produce on quick notice somebody "important" from the company's main office.

Failure to possess this influence raises one of the most difficult obstacles to a local manager's prestige. A small community doesn't like to feel that the company's local manager receives the sort of supervision that reduces him to the status of an errand boy. But it should feel that he has enough influence with the powers behind the scenes to secure the presence of an executive of major calibre when, by its standards, a situation of sufficient importance arises.

The danger, of course, here is that the community's idea of what is important may not coincide with the concepts of importance prevailing in the company's main office. Nevertheless, if small-town good will counts for anything, and we have seen that there is good reason to believe it should, the local manager should not be let down. Some one should be able to appear at his behest.

**T**HIS brings us to consideration of a position which, I believe, should exist in every big utility corporation serving small-town and rural areas. Let us call it regional assistant to the president.

In other words, for every general region served, there should stand a specialist, responsible only to the major executives of the company, whose principal interest would be, not power lines, consumption, or investment, but the communities themselves, the people in those communities, the economic factors responsible for their trends of thought, and the personnel

## PUBLIC UTILITIES FORTNIGHTLY

representing the company in their midst.

Such a man would be interested in advertising, in employment, in publicity, in management. But he would not undertake any of these functions directly. He would have a degree of authority, and to the public he would appear a personage of authoritative importance, but he would actually devote his principal energies to listening, reporting, and advising.

He would have an impressive title for use when occasion demanded. He would live near the center of his region and would hold himself able to make a quick and impressive appearance in any town within his territory. He would be able to make sensible speeches touching on subjects close to his public's interests.

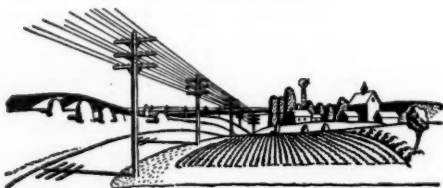
Behind this front, he would spend considerable time "bumming around" the area informally. He would follow all the local newspapers. He would know whether the drive for the community chest was going over well in Hoytsville; and whether or not the local manager there if regulatory laws

permitted should chip in with another hundred dollars. He would know how the Posey county corn crop was coming on and whether the Vanceburg Iron Foundry was still laying off men.

He would serve, in other words, as the device through which the local manager could appear as a man of responsibility and authority without disrupting the best interests and the basic policies of the company itself.

**I**N the smaller communities, public relations are personal relations. All that the big utility companies need to do to win more friends in the smaller places is to recognize this precept and to extend to local management some of that care and energy they have devoted to solving their bigger problems.

No elaborate devices, no involved campaigns, no great expenditures are called for. Understanding—both of the importance of doing the job and of the fundamentally simple basis upon which success rests—is all that they need to have.



### The Danger of Rural Power Subsidies

**"I**F the electric industry makes rates to farmers that are lower than necessary to yield a fair return when the business is developed fully, it will mean that city people must pay part of the farm electric bills and neither rural nor city residents want this. Such a course would be unsound and dangerous, and would result in disaster to utility companies and farm customers as well."

—GROVER C. NEFF,  
*President, Wisconsin Power & Light Co.*

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# Remarkable Remarks

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*"There never was in the world two opinions alike."*

—MONTAIGNE

GEORGE W. MAXEY  
*Justice of the Supreme Court  
of Pennsylvania.*

"When industry is prostrate, demagogues flourish."

JAMES A. FARLEY  
*United States Postmaster General.*

"Its (TVA) success implies that extortion in every section will be checked."

FRANK R. KENT  
*Political commentator.*

"This is the first time in our history the attempt to inflame the people against the existing American system has come from the government itself."

HARPER SIBLEY  
*President, Chamber of Commerce  
of the United States.*

"If utilities are politically operated, then, speaking bluntly, the utility as an agency for public service becomes secondary to the maintenance of political office and political organization."

FORMER JUDGE JOSEPH PROSKAUER  
*Counsel, Consolidated Gas  
Company of New York.*

"If any 'weighting' is to be done in order to get a real consideration of rates in New York city as against rates in other cities there are elements much more important than population to be considered."

L. C. PROBERT  
*Vice President, Chesapeake  
and Ohio Railroad.*

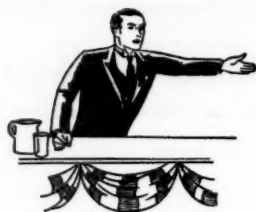
"The Interstate Commerce Commission, after spending twenty-four years and two hundred million dollars, has reported that the fair value of the railroads is twenty-one billions. They are, however, capitalized for only nineteen billions."

JAMES M. LANDIS  
*Chairman, Securities and  
Exchange Commission.*

"It is a serious, continuing task that confronts us, one in which we have some pride in having cleared a portion of the road, but also a consciousness that the road, truly to carry out the unquestioned purposes of the act (Securities Act), must be a King's highway that all who seek it can follow."

FRANKLIN D. ROOSEVELT  
*President of the United States.*

"If I were a citizen of the state of Nebraska, regardless of what party I belonged to, I would not allow George Norris to retire from the United States Senate, whether he wanted to or not, for the very good reason that I feel he is necessary not only to Nebraska but to the United States as long as he lives."



# Will the Utility Act Upset State Regulation

If the law is finally upheld?

AFTER a careful analysis of the various provisions of the law bearing upon Federal and state authority, the author concludes that the act as passed cannot operate to break down the jurisdiction of the state regulatory commissions but that on the contrary various important provisions of the act are in aid of state regulation.

By JOHN E. BENTON

GENERAL SOLICITOR, NATIONAL ASSOCIATION OF  
RAILROAD AND UTILITIES COMMISSIONERS

THE Wheeler-Rayburn Act contains three parts. The first provides for the regulation and control of public utility holding companies, and according to provision therein contained is entitled the Public Utility Holding Company Act. The second part consists of amendments to the Federal Water Power Act, and the third part consists of further amendments to the Federal Water Power Act, which vest regulatory jurisdiction in the Federal Power Commission over operating electric utilities engaged in the transmission or sale at wholesale in interstate commerce of electric energy. This third part of the

act changes the title of the Federal Water Power Act to the Federal Power Act, and the amendments in such part become Parts II and III of the Federal Power Act.

In this discussion, references to the Federal Power Act will be to said Parts II and III, and to the Holding Company Act will be to the Public Utility Holding Company Act. Also this discussion will assume the constitutionality of all provisions of the statute, and will seek only to discover the effect of the statute, upon that assumption.

Every statute must be interpreted according to its language, and to accomplish the legislative purpose, as that purpose appears from such language, construed in the light of the facts surrounding the enactment of the statute.

EDITOR'S NOTE.—The Public Utility Holding Company Act has been declared unconstitutional by the Federal Maryland District Court; but that question will not be settled, of course, until passed upon by the Supreme Court.

## WILL THE UTILITY ACT UPSET STATE REGULATION?

The language of the Federal Power Act undertakes to make clear the legislative purpose not to destroy or diminish state regulatory power over electric utilities. The first paragraph of the new act (Sec. 201 (a)) sets forth the extent to which the regulation provided is intended to go in a "Declaration of Policy." This states that:

... Federal regulation of matters relating to generation to the extent provided in this part and the part next following and of that part of such business which consists of the transmission of electric energy in interstate commerce and the sale of such energy at wholesale in interstate commerce is necessary in the public interest, such Federal regulation, however, *to extend only to those matters which are not subject to regulation by the states.* (Italics supplied.)

HAVING thus indicated the intent that the regulation provided shall extend only to those matters which are not subject to state regulation, the act proceeds to limit and to define narrowly the jurisdiction granted. This it does in § 201 (b) as follows:

... The commission shall have jurisdiction over all facilities for such transmission or sale of electric energy, but *shall not have jurisdiction, except as specifically provided in this part and the part next following, over facilities used for the generation of electric energy or over facilities used in local distribution or only for the transmission of electric energy in intrastate commerce, or over facilities for the transmission of electric energy consumed wholly by the transmitter.* (Italics supplied.)

Section 201 (c) provides that electric energy shall be held to be transmitted in interstate commerce "if transmitted from a state and *consumed at any point outside thereof,*" (italics supplied) and § 201 (d) defines sale "at wholesale" as a *sale of electric energy to any person for resale.* (Italics supplied.)

The Congress thus, at the outset, by explicit language expressed the purpose of the legislation, and marked out the limits of the jurisdiction of the Federal Power Commission in the exercise of any of the regulatory powers granted to that commission in the Federal Power Act.

Whatever by that act the Federal commission is empowered to do can be done only in the regulation of a company engaged in transmitting or selling electric energy, which is transmitted in interstate commerce, or sold in interstate commerce to be resold, which energy is consumed or to be consumed in a state other than that from which transmitted.

IT is obvious that any order of the Federal commission directly regulating either wholesale transmission in interstate commerce or the rates at which electric energy shall be sold at wholesale in interstate commerce cannot affect state regulation of such service or rates for the reason that, prior to the enactment of the Wheeler-Rayburn Act, the state had no jurisdiction over such service or rates. This was the ruling of the United States Supreme Court in the *Attleboro Case*.<sup>1</sup>

However, regulation, as ordinarily now imposed under regulatory statutes, passes beyond direct orders regulating service and rates. In most states public utilities have been subjected to regulation in the following respects:

- (1) They may not begin business in any given territory without first obtaining from the state commission a certificate of public convenience and

<sup>1</sup> 273 U. S. 83, P.U.R.1927B, 348.

## PUBLIC UTILITIES FORTNIGHTLY

necessity, or some other similar form of permit.

(2) They may not issue securities without first obtaining the approval of the state commission.

(3) They must keep such accounts and in such manner as the state commission prescribes.

(4) They may not acquire control of another utility through purchase of its assets or securities without approval of the state commission.

(5) They must submit to the regulation of the service which they render by the state commission, and

(6) They must charge for such service only such rates as are prescribed or permitted by the state commission.

Not all state commissions are empowered to regulate utilities in all the foregoing respects, and some of them regulate such utilities in other respects. But these matters cover the usual field of state commission activity. We will briefly consider what the Wheeler-Rayburn Act provides as to each.

As to entry into business, there is no provision in the statute as enacted requiring a certificate of convenience and necessity, or other form of permit. As introduced the bill contained such a provision, covering both construction and abandonment, but this provision was eliminated. An electric utility may, accordingly engage in the business of transmitting or selling electric energy at wholesale in interstate commerce without procuring the

assent of either the Federal Power Commission or the Securities and Exchange Commission; but upon engaging in such business it becomes subject to the applicable provisions of the statute.

In this respect the Wheeler-Rayburn Act contrasts with the Interstate Commerce Act, which (Sec. 1, pars. 18 to 22 inclusive) requires interstate rail carriers to procure certificates of convenience and necessity from the Interstate Commerce Commission to authorize either construction or abandonment, and expressly states that after the issuance of such a certificate a carrier may "without securing approval other than such certificate, comply with the terms and conditions contained in or attached to the issuance of such certificate and proceed with the construction, operation, or abandonment covered thereby."

As to securities, both the Federal Power Act and the Holding Company Act contain provisions for Federal regulation. The Power Act, § 204 (a), forbids any public utility subject to the act to issue securities without authority of the Federal commission, but paragraph (f) of the section provides as follows:

(f) The provisions of this section shall not extend to a public utility organized and operating in a state under the laws of which its security issues are regulated by a state commission.

These provisions taken together



**T**HE *Wheeler-Rayburn Act* contains provisions granting broad authority both to the Federal Power Commission and to the Securities and Exchange Commission to prescribe accounts to be kept, but it contains also explicit provisions safeguarding state commission jurisdiction."



## WILL THE UTILITY ACT UPSET STATE REGULATION?

subject to the regulation of the Federal Power Commission the security issues of any electric utility subject to the act which does not do business in the state in which organized, or the security issues of which are not regulated by a state commission in such state. As to all others the Federal Power Commission is without jurisdiction.

Whether a public utility which is by the act made subject, as to its issues of securities, to the jurisdiction of the Federal Power Commission because it does not operate in the state where organized, is to be exempted from such state commission regulation as is provided by state law, is perhaps open to question, although the intent not to relieve from the operation of state laws in any case would seem to be evidenced by the provisions of § 7(g), which will be referred to a little later.

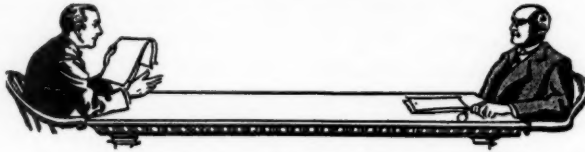
**T**HE provisions of the Holding Company Act are primarily for the protection of investors. Section 6(a) of that act makes it unlawful for a public utility (gas or electric) which is a holding company or the subsidiary of a holding company, to use the mails or other instrumentalities of interstate commerce to issue or sell securities until it shall have filed a declaration with the Securities and Exchange Commission covering such securities containing the information called for by § 7 of the Holding Company Act, and shall have secured an order of that commission "permitting such declaration to become effective."

Under this provision, if it stood alone, it is apparent that securities authorized by a state commission might not be distributed in interstate com-

merce or through the mails without first securing the authorization of the Securities and Exchange Commission. However, the act contemplates that prior authorization by the Securities and Exchange Commission shall not ordinarily be required of operating utilities. Section 6(b) provides that "by rules and regulations or order, subject to such terms and conditions as it deems appropriate in the public interest or for the protection of investors" the commission shall exempt from the provisions of § 6(a) "the issue or sale of any security by any subsidiary company of a registered holding company, if the issue and sale of such security are solely for the purpose of financing the business of such subsidiary company and have been expressly authorized by the state commission of the state in which such subsidiary company is organized and doing business." The effect of this exemption is to relieve the exempted company from obtaining any order of the Securities and Exchange Commission authorizing a proposed issue of securities, but under further provisions of § 6(b), the holding company or the subsidiary is still required, within ten days after any issue, to file with the commission such information called for by § 7 "as the commission may by rules and regulations or order prescribe."

**T**HE intent that notwithstanding any of the provisions of the statute state laws respecting the issuance of securities by electric utilities shall be complied with is indicated by the provisions of § 7(g) which are as follows:

(g) If a state commission or state securities commission, having jurisdiction over



### Authority to Engage in Business

**"AN** electric utility may engage in the business of transmitting or selling electric energy at wholesale in interstate commerce without procuring the assent of either the Federal Power Commission or the Securities and Exchange Commission; but upon engaging in such business it becomes subject to the applicable provisions of the statute."

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any of the acts enumerated in subsection (a) of § 6, shall inform the commission, upon request by the commission for an opinion or otherwise, that state laws applicable to the act in question have not been complied with, the commission shall not permit a declaration regarding the act in question to become effective until and unless the commission is satisfied that such compliance has been effected.

Section 3(a) of the Holding Company Act also provides that the Securities and Exchange Commission shall exempt "any holding company, and every subsidiary company thereof as such, from any provision" of the Holding Company Act "unless and except in so far as it finds the exemption detrimental to the public interest or the interest of investors or consumers," if (1) such holding company and every subsidiary public utility company are predominantly intrastate, and carry on business substantially in one state in which all were organized, or (2) if the holding company is "predominantly a public utility company whose operations as such do not extend beyond the state in which it is organized and states contiguous thereto." There are other grounds of ex-

emption which, however, need not be recited here.

**T**HE effect of the statute, as to issues of securities, accordingly would seem to be this:

(a) An electric utility subject to the Federal Power Act, which is operating in the state in which organized is not subject to regulation of its issues of securities by the Federal Power Commission, if under the laws of that state such issues of securities are regulated by a state commission.

(b) Every electric utility which is organized in a state which does not regulate its issues of securities through a state commission, or which operates only in a state other than that in which it was organized, is subject to the regulation of its securities by the Federal Power Commission and also to such regulation as is provided by applicable state laws.

(c) Every electric utility which is a holding company, or the subsidiary of a holding company, which has not become exempted under the before-

## WILL THE UTILITY ACT UPSET STATE REGULATION?

mentioned provisions of § 3, which proposes to issue securities, must file a declaration with the Securities and Exchange Commission under § 7 of the Holding Company Act, and must procure an order of that commission permitting the declaration to become effective, except that if the issue proposed is by a subsidiary of the holding company and is "solely for the purpose of financing the business of such subsidiary company," and if it has been "expressly authorized by the state commission of the state in which such subsidiary company is organized" it is entitled to be exempted from any obligation to obtain an order of the Securities and Exchange Commission.

(d) Every electric utility which is a holding company, or the subsidiary of a holding company whether or not exempted under § 3 of the Holding Company Act, as aforesaid, must file with the Securities and Exchange Commission the information required by § 7 of the Holding Company Act.

FROM the foregoing analysis, it will appear that the intent of the statute is that the jurisdiction of state commissions over issues of public utility securities shall continue unimpaired, but that a utility which does not operate in the state where organized, or does not procure approval of its issues of securities in such state shall be also subjected to the regulation of the Federal Power Commission, and that such utilities must procure also the order required by § 6 of the Holding Company Act. Furthermore all utilities which are holding companies or subsidiaries of holding companies, which are not exempted under § 3 as aforesaid, are required to file with the Se-

curities and Exchange Commission the information called for by § 7 of the Holding Company Act, if they desire to use the mails and the instrumentalities of interstate commerce in issuing or distributing their securities.

In its provisions, preserving state jurisdiction, and requiring compliance with state laws, the Wheeler-Rayburn Act is once more in contrast with the Interstate Commerce Act. The last-mentioned act, § 20(a), forbids all rail carriers to issue securities until authorized by the Interstate Commerce Commission, and paragraph 7 of that section expressly provides as follows:

The jurisdiction conferred upon the commission by this section shall be exclusive and plenary, and a carrier may issue securities and assume obligations or liabilities in accordance with the provisions of this section without securing approval other than as specified herein.

WITH respect to the keeping of accounts, the provisions of the Wheeler-Rayburn Act, both of that part which constitutes the Federal Power Act, and of that part which is the Holding Company Act, are very explicit. A fundamental part of every regulatory act is that which empowers the regulatory body to obtain such information relating to the business and financial affairs of the companies regulated as is necessary to enable their intelligent regulation.

A commission regulating rates and service must have jurisdiction to require such accounts to be kept as will reflect truly information as to the property of the regulated utilities, and as to the costs incident to their separate classes of business and as to the revenues derived therefrom. Any body regulating the issuance of securi-

## PUBLIC UTILITIES FORTNIGHTLY

ties must have jurisdiction to require accounts which will truly reflect information as to property investments, operating costs, revenues and securities, and other obligations. The Wheeler-Rayburn Act contains provisions granting broad authority both to the Federal Power Commission and to the Securities and Exchange Commission to prescribe accounts to be kept, but it contains also explicit provisions safeguarding state commission jurisdiction.

The Federal Power Act, § 301 (a), provides that every public utility shall keep "such accounts, records of cost-accounting procedures, correspondence, memoranda, papers, books, and other records as the commission may by rules and regulations prescribe . . .," but the section contains also the following express proviso: "*Provided, however,* That nothing in this act shall relieve any public utility from keeping any accounts, memoranda, or records which such public utility may be required to keep by or under authority of the laws of any state."

THE Holding Company Act, § 15, provides that every holding company and every subsidiary thereof shall keep such accounts as the Securities and Exchange Commission shall prescribe, but § 20(b) of the Holding Company Act contains provision that in the case of the accounts of

any company whose accounting methods are prescribed by the law of any state, the rules and regulations of the Securities and Exchange Commission shall not be inconsistent with the requirements imposed by such law, and further contains the same language which has just been quoted from the Federal Power Act.

These provisions as to accounts again contrast with provisions of the Interstate Commerce Act. That act, § 20(1) provides that the commission may prescribe a Uniform System of Accounts for Rail Carriers, subject to the act, and further provides, in § 20(5) that it "shall be unlawful for such carriers to keep any other accounts, records, or memoranda than those prescribed or approved by the (Federal) commission."

As to the acquisition of the assets or securities of another utility, and consolidations or mergers, the Wheeler-Rayburn bill contains provisions for Federal regulation with limited exceptions. Under § 203(a) of the Federal Power Act, no public utility subject to the act may sell, lease, or dispose of the whole of its property, or any part of the same of the value of \$50,000 or more, without the approval of the Federal Power Commission; and § 9(a) of the Holding Company Act contains provisions designed to compel any holding company or subsidiary or affiliate thereof, or other



**I**"IN neither the Power Company Act nor the Holding Company Act is there language indicating any intent that the Federal regulation provided for shall be exclusive of state regulation, except as the same may be applied with respect to acquisition of securities . . ."

## WILL THE UTILITY ACT UPSET STATE REGULATION?

public utility, proposing to acquire utility assets or securities, to obtain approval of the Securities and Exchange Commission.

THE latter provisions, however, are not to apply to acquisitions expressly authorized by a state commission when the companies involved are organized in a single state to which their business is substantially confined. Section 10(f) further provides as follows:

(f) The commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the commission that such state laws as may apply in respect of such acquisition have been complied with, except where the commission finds that compliance with such state laws would be detrimental to the carrying out of the provisions of § 11.

In neither the Power Company Act nor the Holding Company Act is there language indicating any intent that the Federal regulation provided for shall be exclusive of state regulation, except as the same may be implied with respect to acquisition of securities from this reference to the provisions of § 11. That section is the section which provides for the simplification of holding company systems.

The jurisdiction of the Federal Power Commission to regulate service is very limited. Under § 202(b) of the Federal Power Act, upon application of a state commission, or of any public utility engaged in the transmission or sale of electric energy, the Federal Power Commission "may by order direct a public utility (if the commission finds that no undue burden will be placed upon such public utility thereby) to establish physical connection of its transmission facilities with the facilities of one or more other

persons engaged in the transmission or sale of electric energy, to sell energy to or exchange energy with such persons."

This paragraph, however, contains a proviso as follows:

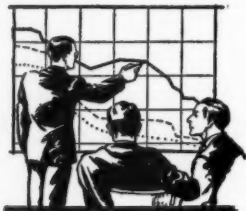
*Provided*, That the commission shall have no authority to compel the enlargement of generating facilities for such purposes, nor to compel such public utility to sell or exchange energy when to do so would impair its ability to render adequate service to its customers.

It is further provided in § 207 of the Federal Power Act that whenever "upon complaint of a state commission," the Federal Power Commission shall find any interstate service of any electric utility to be inadequate or insufficient, it may prescribe proper service, but in this case also there is a proviso that it shall have no authority to compel an enlargement of facilities, or to compel the rendition of service which will impair the ability of the utility to render adequate service to its customers.

It will be seen that these provisions granting jurisdiction to the Federal Power Commission to make service orders are in aid of local business, subject to state jurisdiction, and not in derogation of such jurisdiction. As to physical connection and sale or exchange of power, the Federal commission may exercise no jurisdiction upon its own motion, but only upon application of a transmission or distributing company, or of a state commission; and as to inadequate or insufficient service the Federal commission may act only when asked to act by a state commission; and in no case may any order be made which will impair the ability of the public utility, against which the order runs, to



### Federal Jurisdiction over Rates



**“As to rates, the jurisdiction of the Federal Power Commission is complete in so far as such rates apply to service subject to its jurisdiction,—that is as to rates applicable to wholesale interstate service. Beyond such rates jurisdiction is withheld from the commission, by the explicit declaration of § 201 (b) of the Power Act, . . .”**

render adequate service to its customers.

As to rates, the jurisdiction of the Federal Power Commission is complete in so far as such rates apply to service subject to its jurisdiction,—that is as to rates applicable to wholesale interstate service. Beyond such rates jurisdiction is withheld from the commission, by the explicit declaration of § 201(b) of the power act, above referred to, that the provisions of the act “shall apply . . . to the sale of electric energy at wholesale in interstate commerce, but shall not apply to any other sale of electric energy.”

**T**HIS language was plainly used with the design not to extend the jurisdiction of the commission either to intrastate rates of any character, or to consumer rates applicable to service of a local character, regulation of which rests with state authority, in the absence of Federal regulation under the rule announced by the United States Supreme Court in the Pennsylvania Gas Company Case.<sup>2</sup>

In like manner the statute with great care avoids any general prohibition of all rate discrimination. It was

under such a general prohibition in § 3 in the Act to Regulate Commerce that the United States Supreme Court, in the Shreveport Case<sup>3</sup> sustained the authority of the Interstate Commerce Commission to require carriers to change intrastate rates found by the commission to discriminate against interstate commerce. In place of such general prohibition § 205(b) of the Federal Power Act provides as follows:

No public utility shall, with respect to any transmission or sale subject to the jurisdiction of the commission, (1) make or grant any undue preference. . . . (Italics supplied.)

These provisions as to rates afford another contrast with the provisions of the Interstate Commerce Act. Section 15 of that act, as originally enacted, authorized the Federal commission to make “cease and desist” orders, and it was in the exercise of that jurisdiction that the commission made the original Shreveport order, already mentioned; and § 14(4) of the present act expressly authorizes the commission to prescribe intrastate rates, and provides that the same “shall be observed (by the carriers) while in effect . . . the law of any state or

<sup>2</sup> 252 U. S. 23, P.U.R.1920E, 18.

<sup>3</sup> (1914) 234 U. S. 342, 58 L. ed. 1341.



## WILL THE UTILITY ACT UPSET STATE REGULATION?

the decision or order of any state authority to the contrary notwithstanding."

THE manner in which the provisions which have been discussed are in contrast with the provisions of the Interstate Commerce Act has been pointed out for the purpose of indicating that the two acts are opposite in plan and purpose. The Interstate Commerce Act designed to establish Federal regulation to the exclusion of state regulation to the extent provided in that act, and it accordingly by express language granted jurisdiction to the Interstate Commerce Commission intended to be exclusive. The Wheeler-Rayburn Act, on the contrary, designed not to displace state regulation as to matters within the reach of such regulation and accordingly granted jurisdiction to the Federal Power Commission limited expressly to the regulation of companies with respect to interstate wholesale business, which by the United States Supreme Court had been held to be beyond the reach of state regulation.

There is no exception to this statement as respects the jurisdiction of the Federal Power Commission, and no exception as respects the jurisdiction of the Securities and Exchange Commission, except such as may be implied in the exception contained in paragraph (f) of § 10 of the Holding Company Act, above referred to, which extends only to the approval of the acquisition of securities in the carrying out of the reorganizations contemplated by § 11 of the act which section of the law provides for the

simplification of the holding company structures.

THIS review of the principal provisions of the Wheeler-Rayburn Act would seem to indicate that the act, as passed, cannot operate to break down and destroy state commission regulation. Various important provisions of the act, on the contrary, are in aid of state regulation. Mention has already been made of the provisions granting jurisdiction to the Federal commission to make orders for improvement of service only upon complaint of state commissions. Other provisions authorize the Federal commission upon request of a state commission to determine costs of production and of transmission of electric energy in cases where jurisdiction over the applicable rates rests only with the state commissions; and others direct the Federal commission to make available to the state commissions such information and reports as may be of assistance to them, and further, in so far as it can without prejudice to the conduct of the affairs of the Federal Power Commission, to make its rates, valuation, and other experts available to the state commissions, for use in state commission regulation. These provisions, together with the broad provisions authorizing coöperation and joint hearings, and the creation of joint boards upon the nomination of state commissions, indicate clearly the intent and purpose of Congress to preserve and strengthen the state commissions. All parts of the statute must be interpreted and administered in the light of this obvious intent and purpose.



# Financial News and Comment

By OWEN ELY

## *Current Earnings Reports Make Excellent Showing*

RECENT utility reports make good reading. Bell System "stations" continue to gain, the November increase being the best since 1929, as was the case in September and October. Following are some earnings reports of leading electric and gas companies for the twelve months ending Oct. 31st (in some cases subject to adjustment) compared with the similar period of 1934:

Continental Gas & Electric Co. and subsidiaries reported \$14.49 a share on the 7 per cent prior preference stock, against \$11.09 in 1934.

United Light & Power Co. and subsidiaries earned \$2.43 on the \$6 preferred stock, compared with \$1.47.

American Light & Traction Co. and subsidiaries reported \$1.03 a share on the common stock, against \$1.33 last year.

American Power & Light Co.'s consolidated report showed \$4.14 per share on the two preferred issues, against \$1.88 in the same period last year. In the three months ended October 31st \$1.08 was earned compared with 45 cents in 1934.

National Power & Light Co. and subsidiaries reported 80 cents a share on the common stock, compared with 93 cents last year; the three months' period showed 15 cents against 16 cents last year.

United Gas Corporation and subsidiaries (controlled by Electric Power & Light Corporation) reported \$1.76 a

share on the second preferred stock, against \$1.16 last year; three months' income was \$1.79 a share on the *first* preferred stock (slightly over the dividend requirement) compared with about half that amount last year.

Electric Power & Light Co. showed net profits after all charges equivalent to 64 cents a share on the preferred stocks, against a loss last year.

Puget Sound Power & Light Co. showed net income of \$918,840 against \$598,650 last year.

American Gas & Electric Co. earned \$1.80 per share common against \$1.62 in the previous year.

Consumers Power Co. (subsidiary of Commonwealth & Southern) showed a slight decline in the twelve months' net income, but October net reflected a gain of about 24 per cent over last year. Ohio Edison, same system, gained about 8 per cent in the twelve months and 32 per cent in the month of October. Georgia Power Co. also made an excellent showing with a 30 per cent gain in October, but Alabama Power and Tennessee Electric Power showed declines for that month (twelve months' figures showing gains, however). The combined system earnings for Commonwealth & Southern were \$5.84 on the \$6 preferred stock against \$5.44 last year (the preferred is now on a \$3 annual basis).

Engineers Public Service Co. reported net income of \$960,536 against \$454,404 in the previous year.

American Water Works Co. reported \$1.14 a share on its common stock

## FINANCIAL NEWS AND COMMENT

against \$1.05 for the previous year.

Pacific Gas & Electric in the nine months ended September 30th earned \$1.45 on the common stock against \$1.15 in the previous year. Total taxes in California under the new tax laws will amount to over \$7,500,000 in the 1935-36 fiscal year, it is estimated.

International Hydro-Electric in the twelve months ended September 30th earned 81 cents a share of Class A stock, compared with \$1.51 last year.

Associated Gas & Electric Co. for the twelve months ended September 30th reported a net loss of \$711,544 after all charges (exclusive of interest on obligations convertible into stock at the company's option, or interest on an income basis). However, a statement of "earning power—annual charge basis," including earnings of recently acquired subsidiaries for the full twelve months' period, shows the net loss reduced to \$141,149.

### *Progress of A. T. & T. Investigation*

THE Federal Communications Commission has now spent nearly one third of the \$750,000 appropriation allowed by Congress for its investigation of American Telephone and Telegraph Company. Two hundred and fifteen persons are employed at an average annual salary rate of about \$3,000. Hearings are expected to begin in January or February and the main work of the investigation is expected to be cleared up by July 1st. Chairman Walker of the telephone division of the FCC has been quoted as stating that \$10,000,000 could be spent wisely in the investigation, although it was not his intention to ask for more funds.

### *Foreign Developments*

AN amicable settlement of litigation between the Chilean government and the local subsidiary of American & Foreign Power Co. has been reached, according to a report in the *New York*

*Times*. The company will merge and expand its properties, and will be allowed to earn 6 per cent on its sterling investment, one third of any surplus net being used for rate reduction, one third going to investors, and one third to the government.

The Ontario government, December 6th, "proclaimed" its power act, canceling power purchase contracts between the Ontario Hydro Electric Power Commission and four Quebec power companies (Beauharnois, Gatineau, McLaren, and Ottawa Valley), following failure of conferees to reach an agreement. Further negotiations for purchase of the amount of power actually required will be carried on by the commission pending definite solution of the whole problem.

### *New York City to Collect \$500,000 in New Utility Taxes*

NEW York city is expected to collect about \$500,000 a year in additional revenues as the result of a decision by the court of appeals upholding its right to tax electric companies in connection with the installation and maintenance of underground transformer vaults. Although the decision pertained to the Brooklyn Edison Co. it would also apply to all electric companies in the city (most of them subsidiaries of Consolidated Gas), according to Assistant Corporation Counsel Joseph L. Weiner. The estimate of \$500,000 a year was based on a rental of 25 cents a cubic foot a year under Manhattan streets and one half that rate in the other four boroughs; these rates, however, have not yet been finally approved.

### *Second-grade Utility Bonds*

IN recent months there has been considerable interest in second-grade utility bonds, many of which have enjoyed sharp advances. While the question of their status if the Utility Act is held constitutional somewhat clouds the

# PUBLIC UTILITIES FORTNIGHTLY

future of some of these issues, the prospects for a continued rapid gain in electric output and consequent improved earning power may result in further price recovery of many issues during

1936. Hence the accompanying list of some leading issues still selling below par may be of interest (the ratings and other information are from the *U.R.I. Tabulating Service*):

Rating	Bond	Price about	Yield to Maturity	No. Times Charges Earned in 1934
BBB+	Pennsylvania Elec. Co. 1st & Ref. 4s, 1971 ...	97	4.15%	1.8
BBB+	Tenn. Elec. Power 1st & Ref. 6s, 1947 .....	98½	6.20	1.7
BBB+	Pennsylvania Central Lt. & Pow. 1st 4½s, 1977	99	4.55	1.9
BBB+	Alabama Power Co. 1st & Ref. 5s, 1956 .....	99½	5.05	1.6
BBB	Tenn. Public Service 1st & Ref. 5s, 1970 .....	61	8.45	1.7
BBB	Peoples Gas Light & Coke 1st & Ref. 4s, 1981	84	4.90	1.2
BBB	Columbia Gas & Electric Deb. 5s, 1961 .....	97½	5.20	1.8
BBB-	Mass. Gas Cos. Deb. 5½s, 1946 .....	96½	5.95	1.7
BBB-	Minn. Power & Light 1st & Ref. 4½s, 1978 ...	96½	4.70	1.5
BBB-	Georgia Power Co. 1st & Ref. 5s, 1967 .....	98	5.20	1.6
BBB-	Carolina Power & Light 1st & Ref. 5s, 1956 ..	98	5.15	1.5
BBB-	Montana Power Co. Deb. 5s, 1962 .....	98½	5.10	1.5
BBB-	Federal Light & Traction 1st 5s, 1942 .....	96	5.70	1.8
BB+	Alabama Power Co. 1st & Ref. 4½s, 1967 ...	84	5.60	1.6
BB+	Nevada-Calif. Elec. 1st Trust 5s, 1956 .....	86	6.20	1.2
BB+	Mississippi Power & Light 1st 5s, 1957 .....	92	5.65	1.5
BB+	Utah Light & Traction 1st & Ref. 5s, 1944 ...	96	5.55	1.3 (Guar.)
BB+	Virginia Public Service 1st & Ref. 5½s, 1946 ..	96½	5.95	1.3
BB+	Ill. Power & Light 1st & Ref. 5½s, 1954 .....	97	5.75	1.3
BB+	Central Ill. Elec. & Gas 1st & Ref. 5s, 1951 ...	97	5.25	1.5
BB+	Empire District Elec. 1st & Ref. 5s, 1952 .....	97½	5.20	1.4
BB+	Arkansas Power & Light 1st & Ref. 5s, 1956	97½	5.20	1.4
BB+	Tidewater Power Co. 1st 5s, 1979 .....	97½	5.15	1.6
BB+	So. Carolina Power 1st Ref. 5s, 1957 .....	98	5.15	1.5
BB+	Southwestern Light & Power 1st 5s, 1957 ...	98	5.15	1.4
BB+	No. Indiana Pub. Service 1st & Ref. 4½s, 1970	98½	4.60	1.4
BB+	Northwestern Public Service 1st 5s, 1957 ....	99	5.10	1.4
BB+	Central Ill. Public Service 1st 5s, 1968 .....	99	5.05	1.2
BB+	Indiana Hydro-Electric 1st 5s, 1958 .....	92	5.85	1.8
BB+	Utah Power & Light 1st 4½s, 1944 .....	93	5.50	1.3
BB+	Central Ohio Light & Power 1st 5s, 1950 ....	97	5.30	1.4
BB	Portland Gen. Elec. 1st & Ref. 4½s, 1960 .....	73	6.75	1.3
BB	Pacific Power & Light 1st Pr. Lien 5s, 1955 ..	84½	6.40	1.2
BB	Kentucky Utilities 1st 5s, 1961 .....	92	5.60	1.3
BB	Cities Service Gas 1st 5½s, 1942 .....	95	6.45	2.1
BB	Power Securities Corp. Coll. 6s, 1949 .....	96	6.45	1.5
BB-	N. E. Gas & Elec. Deb. 5s, 1947 .....	74	8.50	1.3
BB-	United Light & Rys. Deb. 5½s, 1952 .....	78	7.85	1.1
BB-	Puget Sound Pow. & Lt. 1st & Ref. 4½s, 1950	79½	6.70	1.4
BB-	N. E. Power Assoc. Deb. 5s, 1948 .....	80	7.40	1.5
BB-	Continental Gas & Elec. Deb. 5s, 1958 .....	83	6.40	1.3
BB-	National Power & Light Deb. 6s, 2026 .....	98	6.10	1.3
BB-	West Penn Electric Deb. 5s, 2030 .....	95	5.30	1.5
BB-	Georgia Power & Light 1st 5s, 1978 .....	82	6.20	1.2
BB-	Federal Light & Traction Deb. 6s, 1954 .....	91½	6.80	1.8
B+	Central Power & Light 1st 5s, 1956 .....	82	6.60	1.2
B+	West Texas Utility 1st 5s, 1957 .....	84	6.40	1.2
B+	Virginia Public Service Deb. 6s, 1946 .....	86	7.95	1.3
B+	Central Power Co. 1st 5s, 1957 .....	86½	6.10	1.1
B+	Am. Power & Light Deb. 6s, 2016 .....	92	6.50	1.1
B+	Southwestern Power & Light Deb. 6s, 2022 ..	92	6.40	1.1
B+	Penn-Ohio Edison Deb. 5½s, 1959 .....	96½	5.75	1.2
B-	United Light & Power Deb. 6s, 1975 .....	65	9.35	1.1
B-	United Light & Rys. (Mc.) Deb. 6s, 1973 ...	65	9.40	1.1
B-	Am. & Foreign Power Deb. 5s, 2030 .....	69	7.25	1.1
CCC+	Elec. Power & Light Deb. 5s, 2030 .....	69½	7.20	1.0
CCC+	Cities Service Power & Lt. Deb. 5½s, 1949 ...	60	11.36	1.1
CCC+	Southwestern Natural Gas 1st 6s, 1945 .....	93	6.95	1.5

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### *Utility Financing Ebbs after December 1st*

ONLY two important utility bond issues were offered in the fortnight ended December 6th: \$25,000,000 N. Y. & Queens Electric Light & Power Co. first and consolidating 3½s of 1965 at 102 (syndicate headed by Morgan, Stanley & Co., Inc.); and \$11,710,900 Metropolitan Edison Co. first "G" 4s of 1965 at 102½ (syndicate headed by Halsey, Stuart & Co., Inc.).

Smaller financial operations included the \$4,500,000 Union Gas Co. of Canada, Ltd. serial first mortgage 3½-4½ per cent bonds, offered in Canada by Dominion Securities Co. and others; and 110,785 shares of Philadelphia Electric common stock (purchased from certain stockholders) to be offered at \$37.50 by a syndicate headed by Graham, Parsons & Co. A London subsidiary of Utilities Power & Light Corporation has sold through Lazard & Co., Ltd., £2,000,000 debenture 3½s due 1980 at 98½.

The \$45,000,000 Southwestern Bell Telephone first and refunding "B" 3½s of 1964 will probably be offered December 12th by a syndicate headed by Morgan, Stanley & Co., Inc. The \$16,000,000 Southwestern Gas & Electric Co.'s 1st mortgage 4s and \$4,500,000 serial debentures were to be offered December 10th instead of November 20th, according to an amendment filed with the SEC, but further delay is now reported.

Public Service Electric & Gas Co., a subsidiary of Public Service Corp. of New Jersey, on November 25th registered \$65,000,000 first and refunding 3½s of 1965. However, \$50,000,000 of the issue was sold privately last July at 100 and will not be resold. The remaining \$15,000,000 bonds are held in the company's treasury, and the underwriters' and offering price had not been determined at the time of registration.

According to Dow Jones, plans for further refunding issues of the Bell System (which thus far has included two important issues) will probably not

be announced until some time after the first of the year. American Telephone and Telegraph Co. is expected to defer its own refunding operations until those of the operating companies have been completed. It is thought that the next major financing will be by Pacific Telephone & Telegraph Co. Nearly \$200,000,000 bonds of Bell Telephone Co. of Canada, Bell Telephone Co. of Pennsylvania, and New England Telephone & Telegraph Co. are noncallable.

Duke Power Co. on December 6th obtained approval of the North Carolina Utilities Commission for a general refunding program, the complete details of which have not yet been determined.

Insurance companies furnish one of the largest markets for high-grade utility offerings. In an address before the 29th annual convention of the Association of Life Insurance Presidents, President Philip A. Benson of the Dime Savings Bank of Brooklyn called attention to the fact that while financing of plant extension by railroads will probably be limited largely to equipment financing, important new issues of utility bonds can be counted on as these companies expand their service.

### *SEC to Clarify Rules on Utility Financing?*

THE recent drying up of utility financing plans for electric and gas companies, owing to uncertainties regarding application of the Utility Act, will, it is thought, result in action by the SEC to clarify its attitude regarding new offerings by companies which have not registered. According to Dow Jones, a statement by the SEC might expedite registry of a West Penn Power issue, \$15,000,000 Public Service Electric & Gas bonds (referred to above), various Consolidated Gas system refunding issues, and others which are in line for early registration.

Some attorneys feel that operating subsidiaries of nonregistered holding companies can proceed freely with financing plans, while others are less cer-



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tain, and the possible "cloud" on the status of new issues might be a handicap in their sale, unless the SEC takes action.

### *Reorganization Notes*

MIDDLE West Utilities Company emerged from its three and a half years' receivership November 27th, and control will now rest largely with the banking interests from which the company borrowed some \$27,000,000 (the court will retain some measure of control until July 1, 1937). The banks will own a majority of the stock of the new Middle West Corporation and elect four of the nine directors. Two other directors will represent holders of the \$40,000,000 5 per cent gold notes, who will own most of the balance of the stock. Old stockholders will retain only about a 9 per cent interest in the new company.

A "personnel committee" composed of Daniel C. Green (former trustee), Walter A. Shaw (utilities expert), George I. Haight (attorney), Hugh H. McGee of the Bankers Trust Co., and Adolphe Boissevain (representing preferred stockholders), will control officers' salaries and supervise any sale of assets or other important corporate changes.

The company under its new set-up controls five active holding companies and thirty-nine operating companies, serving 2,100 communities (mainly small) in fifteen states and Canada. Most of the operations are centered in Illinois, Wisconsin, Kentucky, Oklahoma, and Texas.

Summarizing reorganization terms, banks or others holding secured loans receive 1,710,000 shares, and note holders obtain 1,290,000 shares for their \$40,000,000 investment. Halsey, Stuart & Co. take over the collateral held for loans, including large blocks in Central and Southwest Utilities. Preferred stockholders receive 151,928 shares (1 for 4) and common stockholders about 159,000 shares (1 for 100); and both receive warrants to purchase equal addi-

tional amounts of stock at \$8 a share the first year, \$9 the second year, and \$10 the third year. New officials are virtually identical with those during receivership. The company has applied for registration with the SEC.

Two protective committees for bondholders of Postal Telegraph & Cable Corporation have asked for appointment of trustees, owing to the difficulty of adjusting relationships with International Telephone & Telegraph. I. T. & T. has for many years advanced funds to pay Postal's bond interest, being reimbursed in part by the proceeds of sale of assets not required in the regular business, and has also been supervising the management through its own officials.

The plan of reorganization of Consolidated Gas Utilities Company has now been consummated, a new company of similar name having acquired the property.

The Philadelphia District Court of Appeals has dissolved the restraining order against payment of the October 1st interest on Standard Gas & Electric 6 per cent notes. According to Dow Jones (November 29th):

The preferred shares, which have become volatile speculative vehicles, responded with a pronounced bulge. The Standard Gas situation is a little too complicated to attract much interest from sources which in the past have been willing to make market commitments in that group. Some think that inasmuch as the major income comes from dividends on Philadelphia Co. common, the latter stock should have interesting possibilities. Any effort to improve income of the parent company would be evident in an increased disbursement through that stock.

### *Corporation News*

THE *Wall Street Journal* on November 30th published details of security holdings in banks and utility companies of utility officials who had applied to the Federal Power Commission for authority to act as officer or director of more than one utility company, or of a utility company and a bank. From the information furnished by 800 appli-



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cants, the holdings of some thirty individuals were published.

Electric Bond & Share Co. has reduced its holdings in all utility companies, except the six former "client" holding companies, to small fractions, it was recently announced. Its holdings of other large holding companies (Commonwealth & Southern, United Corporation, Columbia Gas, North American, etc.) are now much less than the 5 per cent which, under the Utility Act, would make it an "affiliate" of each of these companies. It is said that more than \$1,000,000 of such investments was sold during the first nine months of 1935 and that further sales will be disclosed in the year-end report. Electric Bond & Share, while it has ended interlocking relationships with its "client" companies, retains the following approximate stock interests: 46 per cent in American & Foreign Power, 19 per cent in American Gas & Electric, 31 per cent in American Power & Light, 58 per cent in Electric Power & Light, 47 per cent in National Power & Light, and 10 per cent in United Gas (controlled by Electric Power & Light).

International Hydro-Electric, subsidiary of International Paper, has relinquished voting control of the New England Power Association in order to obtain exemption from the Utility Act. New England Power Association is one of the few important systems which has registered with the commission. The New England system, which last year had gross revenues of over \$49,000,000, has a 20-year contract with Edison Electric of Boston for delivery of 150,000,000 kilowatt hours annually, the contract price of which is now being reduced by \$450,000 a year under arbitration.

**A**merican Superpower has transferred to the Bankers Trust Co. 1,500,000 shares of Commonwealth & Southern, for sale over a period of years, the proceeds to be applied to the purchase for retirement of Superpower's first preferred stock. Voting rights have been relinquished pending sale, and remaining holdings constitute less than 10 per cent of Commonwealth, thus making Superpower exempt under the Utility Act. The 50 per cent interest in Italian Superpower is also being turned over to the Bankers Trust for eventual sale.

Blue Ridge has declared a dividend of one tenth of a share of common stock of Central States Electric Corporation for each share of its own stock, in order to reduce its holdings to less than 9 per cent as compared with 16 per cent formerly.

Niagara Hudson Power has merged with itself Power Corporation of New York and Oswego River Power Corporation; another subsidiary, Power & Electric Securities Corporation, will be dissolved.

The RFC has disposed of its remaining security holdings in the Utilities Power & Light Corporation to the Manufacturers Trust Co., ending a complicated series of transactions which began last July when it disposed of stocks controlling the Utilities Power & Light to Atlas Corporation, receiving debentures in return.

### *Utility Bonds v. Rails and Industrials*

**P**RICES and yields for utility bonds compare with industrial and rail issues as follows, according to averages recently compiled by the *U.R.I. Service*:

Composite Ratings	Price Averages			Yield Averages		
	Rails	Utilities	Industrials	Rails	Utilities	Industrials
AAA .....	108	111	121	3.22%	3.55%	2.92%
AA .....	105	108	104	3.94	4.04	3.34
A .....	96	106	106	4.75	4.29	4.38
BBB .....	86	100	104	5.83	4.99	4.70
BB .....	75	91	95	6.80	6.03	5.74
B .....	55	79	79	...	...	...

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# What Others Think

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## Thunder on the Left: Chain Lightning on the Right

AMONG the Christmas or, at least, a near Christmas gifts recently exchanged without being entirely in the spirit of "Peace on Earth to Men of Good Will" was a little matter of \$150 apparently sent from Akron, Ohio, to New York city and back to Akron, Ohio. It seems that Wendell L. Willkie, president of the Commonwealth & Southern Corporation, at a recent luncheon in New York, expressed some regret that, as a good Democrat, he had contributed \$150 to the campaign fund of Franklin D. Roosevelt—an amount, incidentally, not mentioned in recent Democratic publicity on political contributions. Mr. Willkie's statement shocked the sensibilities of some sensitive New Dealers in Akron, Ohio, who by subscription among themselves raised the amount necessary to pay off the unwilling donor. Undaunted one whit, Mr. Willkie gladly accepted the offer, but warned the Akron faithful that other "discontented Democrats" who felt the same way he did about being betrayed into socialism might put in similar claims that would run into pretty big money. Mr. Willkie then signified his intention of turning the money over to the Akron Red Cross where he felt that it would be put to better use than in Postmaster General Farley's war chest.

This interesting correspondence engaged the attention of the analytical mind of David Lawrence, noted political commentator. Mr. Lawrence decided at the outset that Mr. Willkie's case was *sui generis* compared with other "discontented Democrats," because Mr. Willkie, being in the private power business, could probably be humanly excused (in view of the administration's record) even by zealous New Dealers

for harboring ungracious feelings toward the government in power. But what grievance had these "other Democrats" mentioned by Mr. Willkie. That subject intrigued Mr. Lawrence. He wanted to know whether the acceptance of campaign contributions in any way binds the candidate to heed the wishes of the contributors. Turning from the specific to the philosophical, Mr. Lawrence wanted to know just what motives usually inspire campaign contributions. Is it patriotism, party pride, or a "yen" for a prominent seat on the triumphal bandwagon?

QUADRENNIAL campaign contributors in four figures or more could probably be classified along lines similar to those laid down by William Shakespeare (not the one in the Notre Dame backfield) for greatness. Some are just born campaign contributors, others acquire the habit, and still others have it thrust upon them by high pressure canvassing committees who can make the "prospect" see the desirability of joining the worthy cause in various ways. Summing up the situation, it would appear that: (1) many of the so-called "big shot" contributors are motivated by personal fondness or friendship for the candidate, or a hope of material reward in the form of a political plum; (2) many more, particularly from the ranks of big business, contribute upon a vague assumption that it will bring some sort of immunity to their respective businesses from political reprisals if the candidate succeeds at the polls. This may explain why some generous contributors aid both major parties. The angle that puzzles Mr. Lawrence is that these gentlemen are only deluding

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themselves as many have found out to their sorrow under the New Deal administration. "Certain it is," writes Mr. Lawrence, "that Mr. Roosevelt never had any understanding with his campaign contributors, no matter how exuberant may have been the promises of his lieutenants." He writes further:

The whole theory of campaign contributions is wrong, and the lesson in the Willkie incident is that the Roosevelt administration ought not accept in 1936 a single dollar from any business or industry for the simple reason that it cannot possibly guarantee immunity from attack in its program of government supervision of industry or from governmental attack on bigness.

In other words, the New Dealers ought to be free from any misunderstanding as to the meaning of campaign contribution, and they ought to be the first to refuse money from the high-salaried executives of present-day business or their friends or relatives. Indeed, the so-called rich of the country will only be putting the New Deal in an awkward position by offering money to help reelect Mr. Roosevelt.

**A**CCORDINGLY, the forthright thing for Mr. Farley to do would be to warn business men that their contributions are not wanted. Indeed, continues Mr. Lawrence, it can scarcely be said that they are needed in view of "the \$4,000,000 fund the New Dealers have had for relief purposes." The converse of the proposition is that the Republican party will probably go after the big checks without stint. It is going to be blamed or at least generally accepted as the party of big business, anyhow, says Mr. Lawrence, so it will probably cash in on its reputation for all it is worth in legal tender.

But will Mr. Farley restrict his canvassing to the by-ways, the laborers, and farmers? Will he seek only the widow's mite and content himself with the spiritual blessings that accompany the offsprings of the poor? It's too early to say, but such a course might be Hobson's choice for the Democrats, in view of the increasing coldness on the Right towards the New Deal. A series of incidents indicate that big business is definitely off the New Deal reservation and has even severed diplomatic

relations, so to speak, with Washington. There was the much discussed (and criticized) chamber of commerce poll in which the membership (excepting 73 dissenting or nonvoting units) voted overwhelmingly against New Deal policies. There is some doubt as to whether the questionnaire form used in the chamber's poll was framed in a manner entirely fair to the government, but there is no doubt that business, by and large, is heavily anti-New Deal in view of subsequent action taken by the rival national business group—Congress of American Industry. Such action was in the form of a committee report presented to the Congress by C. L. Bardo, president of the National Manufacturers' Association.

**A**FTER raking the New Deal over the coals on numerous counts, particularly the erroneous "philosophy that prosperity can be produced through curtailing production, whether in agriculture or in industry," the report repeated a previous assertion made in 1934 that the government was in error in competing with private industry on the so-called yardstick basis. The report continued:

The government's true function is to protect and promote the economic activities of its citizens, not to supplant them. . . . Government should withdraw as soon as possible from competition with private business, save in exceptional cases where a strictly Federal purpose is to be achieved, and where the corporate form provides public advantages the practice of incorporating Federal agencies should be abandoned.

Finally, there was the hostile attitude of business shown at the recent attempts of Major George L. Berry to have arranged a discussion between business and labor (and anybody else that cared to attend) on the possibility of putting a little life in the old Blue Eagle. Business, for the most part, did not care to attend. However, a corporal's guard did show up for business at the meeting and the exchange of pleasantries with Major Berry by a few of its members would indicate that business is not in

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the mood for love as far as the prevailing administration is concerned.

**R**ETURNING from business in general to the utility corporations that recently declared almost *en masse* that they would not comply with a Federal statute they deem to be unconstitutional, the same Wendell L. Willkie probably advanced the most forthright argument for the utility position in explaining why his own company failed to register. He stated in part:

It has been indicated that by refusing to register the corporation may incur the ill will of the Federal administration and its various agencies and legislative committees. The almost unbelievably unfair attack on this industry by the governmental agencies and officials who are also sponsoring the heavily subsidized Tennessee Valley Authority program, and who are spurring municipalities by outright gifts of 45 per cent of the cost of distribution systems to duplicate and compete with our systems, leaves us little hope that we could obtain the good will of these governmental agencies, no matter what course we took with reference to registration.

The conservative *New York Sun* commented editorially on this statement to the effect that the privately owned utility industry is fighting for its life against a government intent on reducing it step by step to the status of helpless provincial units to be gobbled up finally by public ownership. Under such circumstances it felt that continuation of the turn-the-other-cheek attitude would not only be suicidal but quite stupid. It concluded:

The private utility business is wise in deciding that since it must fight it will fight all the way. It has strong reason for believing the holding company act unconstitutional. The bleating of the lamb traditionally annoys the tiger; if the private utility business has decided not to play the rôle of lamb, what fair-minded American can blame it?

**W**HILE the utilities in burning their bridges (to mix our metaphors a bit) have apparently concluded that they may as well be hung for a sheep as for a lamb, it is very significant to note that all the brickbats hurled at the New Deal are not coming from the Right. There

is considerable "Thunder on the Left," to use the book title employed in a recent liberal newspaper editorial. Many conservatives will scoff at this on grounds that there isn't any Left left left of Mr. Roosevelt except perhaps a lunatic fringe in the general neighborhood of Union Square. However, that rare character, "The Unbiased Observer," would probably break right down and admit that recent attacks on the New Deal from the Left flank do not bear the imprimatur of Moscow.

For example, there is John T. Flynn, the Scourge of Wall Street, writing accusations to the effect that President Roosevelt has yielded to big business on just about everything except utility legislation (Power Trust papers please copy), while at the same time hypnotizing the liberals with engaging conversations about the more abundant life, etc. Because of this backsliding, the whole New Deal program, accomplished in the name of liberalism, has actually been sabotaged by the Bourbons. When it falls as the result of such reactionary undermining, it will tumble about the ears of the liberals, damn them in the eyes of the indiscriminating public, and perhaps set the cause of liberalism back for an indefinite period.

**B**ELIEVING the ship headed for destruction, Mr. Flynn advises his liberal colleagues to get off while the getting is good and seek refuge in another party, however feeble at first, where they can take stand without "apologizing for their leader." Mr. Flynn concluded in part:

There is no reason why modern liberalism should take the risk of associating itself with the inevitable and perhaps tragic disaster that awaits Mr. Roosevelt—not indeed in 1936, but after, when the accumulated follies of his administration settle upon his head.

Business itself is so naïve as to suppose that some natural forces are pushing business up in some kind of natural recovery. That the apparent recovery is the work of the government's spending and borrowing program they ignore. How long will this lift continue? Does anyone suppose that it will last through Mr. Roosevelt's second term if he is reelected? And what will be

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The Montana Record-Herald

## LIFE WILL BE EASIER IN MAINE

the effect if the inevitable collapse overtakes him and liberalism is called upon to take the responsibility for his blunders?

The liberals in Washington should send a polite note to their right-wing colleagues tendering to them without reservation all their rights, titles, and interests in Franklin D. Roosevelt. Perhaps the time is not too late to begin putting the blame for the certain failure where it belongs.

And let no one jump to the conclusion

that Mr. Flynn is only an isolated heretic in the legion of liberalism. Comes now *The New Republic* and even adds an editorial touch of its own:

When Mr. Flynn says that the President, repudiated by big business, now has to turn to the liberals for support, he might have added that he must turn, and is turning, also to the Solid South, which is as far as possible from being liberal; and to the Mid-



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dle Western farmers, whose progressivism consists mainly of wanting more money for themselves, obtained in the form of government checks or through tariff manipulation.

**A**GAIN, let us consider the petition recently filed at the White House by the National Religion and Labor Foundation, urging President Roosevelt to pursue a more leftward course. This organization reveals that it has just completed a survey of the social theory and action of religious leaders in the nation in which 4,700 clergymen, representing 22 major faiths and denominations, responded. Upon this basis, the details of which were to be published later, the Foundation undertook to reply to President Roosevelt's request for advice recently addressed to the clergy of the nation. Slightly more conciliatory than Mr. Flynn, the Foundation asserted that thousands of American ministers respect the New Deal's purposes and are willing to grant that the President has "done far more than any previous administrator but they are convinced that you have not gone far enough." In short, the ministers were reported to have deplored that "billions of dollars necessarily appropriated for relief have been spent without making any basic change in our social order." Referring to persistent unemployment, the report held "that there can be no permanent recovery as long as the nation depends on palliative legislation inside the capitalistic system." In passing, the Foundation took a shot at the Social Security Act as a failure, however "noble in purpose."

**L**IKE Mr. Flynn, the clergymen found comfort in the New Deal's stern stand on utility matters. The report stated:

We commend you for your loyal support of the Tennessee Valley Authority. True, you made an effort toward more drastic regulation of the utilities, but the compromise you accepted is utterly inadequate. People are being denied the bare necessities of life, while an economy of scarcity to protect the profit system is being encouraged.

Among other things demanded of the President were the distribution of

wealth, greater protection for civil liberties of political and labor agitators within states, reduction in armament, particularly in the President's favorite branch of defense—the United States Navy, a stronger neutrality law with a full set of embargoes on trade with belligerents, and finally public ownership of "basic industries." Unlike Mr. Flynn, the liberal clerics are content at this stage merely to threaten withdrawal of their support if the President fails to walk henceforth in the path of Righteousness (or should we say Lefteousness?). The report concluded:

To the extent that you take steps to make these fundamental changes we can and will support you. In so far as you are prepared to do these things, Mr. President, we feel that you will be serving the best interests of the American people.

There may be some doubt whether this petition, signed by forty-four members of the Foundation (over half of whom seem to come from the vicinity of New York city and New Haven, Conn.), accurately reflects a true cross-section of clerical sentiment in the United States. Indeed, it is difficult to believe that there is such overwhelming sentiment in the pulpit to junk the capitalistic system as this petition seems to imply.

**F**INALLY, *The Washington (D. C.) Daily News* recently undertook editorially to warn big business that Mr. Roosevelt is the moderate alternative to Townsendism, Coughlinism, Socialism (Minnesota, Milwaukee, or La Follette brands), or the comparatively radical proposals of the American Federation of Labor. It concluded:

These manifestations of mass thought in America go far beyond the rantings of what H. G. Wells called our "raucous voices." They are outcries from classes that have suffered too long in a plentiful land. Some of these groups are ably led. Let the complacent leaders of Big Business overturn the liberal reform Administration of the New Deal and they will have these movements to deal with.

Americans are not radical, but they can be made so. If these present rumblings from the left grow into thunder it will be because



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our business Bourbons "have ears but hear not."

This approach has grown a little stale. Whether it is sound or not, it doesn't seem to work any more. Time was in early days of the New Deal when business men would be frightened out of their wits at the mere mention of the share-the-wealth movement. But the Roosevelt-or-Chaos motif is an old tune, now. Even Secretary Ickes, recently casting himself in the rôle of Madame Pompadour and crying out: "*Après moi, le deluge!*" could not get a rise out of the hardened conservatives. Truth of the matter is probably that Big Business just won't scare any more. Maybe it's another case of the boy who cried, "Wolf!" It will be recalled that it was the boy not the woodmen who finally appeared on the wolf's menu.

But let no one think just because the Rights have run out and the Lefts are thinking about canceling their reservations, that the New Deal in 1936 will be like the poor little rich boy, friendless except for Postmaster General Farley's

national political organization and nothing left but a few billion dollars to spend. There may be schism to the right of him and schism to the left of him, but Mr. Roosevelt is still likely to have plenty of company on November 3, 1936.

—F. X. W.

TODAY IN WASHINGTON. By David Lawrence. *The New York Sun*. December 6, 1935.

REPORT by Committee on the Relation of Government to Industry, presented to Congress of American Industry. New York. December 5, 1935.

NOT EXACTLY A LAMB. Editorial. *The New York Sun*. November 27, 1935.

OTHER PEOPLE'S MONEY. By John T. Flynn. *The New Republic*. December 11, 1935.

EDITORIAL. *The New Republic*. December 11, 1935.

OPEN LETTER to the White House. National Religion and Labor Foundation. November 29, 1935.

THUNDER ON THE LEFT. Editorial. *The Washington Daily News*. December 9, 1935.

## The State Commissions' Annual Regulatory Review

SIGNIFICANT utterances by those engaged in working out the utility problem are contained in the proceedings of the National Association of Railroad and Utilities Commissioners at its convention in Nashville, Tennessee, on October 15-18, 1935. Under the impetus of the present administration, the past year has witnessed the enactment into Federal law of far-reaching measures to regulate the public utility holding companies and those electric companies which operate across state lines. Representing billions of dollars of investment, these large and major industries have been brought under Federal control through the Securities and Exchange Commission and the Federal Power Commission.

In the field of transportation, also,

the year has witnessed the enactment of another far-reaching law, one designed to regulate the interstate operations of busses and trucks using the public highways. This large and growing industry, with its approximately 300,000 property-carrying trucks and approximately 20,000 passenger-carrying busses, and representing investments running into the millions of dollars, is brought under Federal control through the Interstate Commerce Commission.

The National Association of Railroad and Utilities Commissioners played a large part in the events which led to the enactment of these statutes, and the state public utilities commissions composing the association will have an important rôle to play in their administration. Under the "joint board" provi-

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sions of the Federal Public Utility Act and similar provisions of the Federal Motor Carrier Act, members of the state commissions will hold hearings and make recommendations to the Federal commissions with respect to the rates and service and other aspects of the interstate operations of electric companies and of motor carrier companies.

THESE laws, and the problems they give rise to in their practical operation, together with the means of administering the laws, were fully discussed at the 47th annual convention of the National Association held in October in Nashville. The proceedings contain these discussions, together with addresses made by distinguished leaders in the regulatory field who are best qualified to speak upon such matters. The National Association includes not only the state regulating commissioners, but the members of the Interstate Commerce Commission, the Federal Power Commission, and the Federal Communications Commission. The Federal regulation of telephone companies under the Federal Communications Act, passed by Congress in 1934, was also considered at the convention of the association, and the addresses of prominent persons upon this field of regulation are likewise included in the convention proceedings.

What the state commissions have

done, and are attempting to do, and how, is covered by another part of the proceedings devoted to "state commission regulation and its results." This subject is of especial interest at this time, by reason of assertions commonly heard that public regulation has broken down.

The association's committee on statistics and accounts of public utility companies presented a proposed revised uniform system of accounts for electric utilities (Classes A and B), which was referred by the convention to the executive committee of the association, with directions to consider all suggestions for the perfection of such uniform system of accounts as have been made, or shall be made, by the Federal Power Commission, the Securities and Exchange Commission, or any state commission, or any association representative of electric utilities, or from any other source from which said committee may think it desirable to receive suggestions.

—M. M.

CONVENTION PROCEEDINGS of the National Association of Railroad and Utilities Commissioners at its convention in Nashville, Tenn. October 15-18, 1935. Published by The State Law Reporting Co., 30 Vesey Street, New York, N. Y. 500 pages. Price \$6.00.

PROPOSED REVISED SYSTEM OF ACCOUNTS. Published by The State Law Reporting Co., 30 Vesey Street, New York, N. Y. 317 pages. Price \$2.00.

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## New Books on Motor Carrier Regulation

WHEN an industry is of such a nature as to become the subject of governmental regulation, there has invariably developed, in the United States at least, a corresponding industrial literature of a regulatory character. The shelves of law libraries and the pages of professional journals are yielding increasing space to the development of utility regulation for the railroad, gas, electric, and telephone industries. Prior to 1935, however, the motor carrier industry seemed to be the particular ex-

ception to this rule. True, the trucking industry was only an infant but not much younger than the electric industry. It was subject to varying degrees of regulation in nearly forty states and yet it was surprising to note that only a few worthy volumes representing native research and erudition had appeared on the subject of motor truck regulation. This is not by way of casting any aspersion on the number of trade magazines devoted to management and engineering problems which is

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*The Daily Oklahoman*

### HOW ABOUT CHANGING PLACES NOW

quite another matter. From those angles the industry was adequately served. It may have been that the trucking industry, heretofore operating chiefly in small and independent provincial units, did not nourish the demand for legalistic and economic research.

With the passage of the Federal act, however, the trucking industry sudden-

ly appears to have developed a commendable sense of national responsibility. The growth of the American Trucking Association at Washington and allied groups throughout the states clearly indicates that motor trucking, as Federal Coördinator Eastman has pointed out, had definitely come of age. The industry has become conscious that it stands on a threshold of a new era of

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service to the public not heretofore dreamed of. It senses that it is at last finding its proper regulated place in our national political economy.

It is not surprising, therefore, to observe this consciousness taking the form of the demand for a regulatory literature of dignity commensurate with its new status. Certainly a good start has been made in the launching of the new *Motor Truck Red Book* for 1936, edited by F. Leslie Jacobus and a competent staff. This is a comprehensive reference book on trucking which the publishers plan to bring up-to-date with revised issues each year. Such a decision is almost inevitable because of the wealth of detailed information covered, which necessarily changes greatly from year to year and oftener.

Starting off with a brief historical background of motor truck transportation and its advantages and growth, the work covers statistical and text information on highways, truck models, financing and operation, labor, and other managerial problems. Mere enumeration of the subjects conveys no just impression of how complete this information really is. For example, the laws of every state as to hours of labor and other driver requisites, the various state laws as to dimensions and weight regulations are tabled as to requirements. Most valuable to the operator is the detailed information on traffic management; traffic coordination with other carriers, and a simple but adequate discussion of the highly complicated mysteries of freight tariffs. Hints on general and special classes of service, such as the carrying of live stock and coal, are included, and finally, what will probably be the most well-thumbed section of the book, a balanced presentation (covering over 250 pages) of the regulation of motor trucking. This section touches on the various state laws, the distinction between common and private carriers, the full text of the Federal Motor Carrier Act of 1935, a few sample texts of state regulatory laws

(California, Georgia, Maryland, Minnesota, Ohio, Texas, Washington, Connecticut), the Kansas Port of Entry Law, and closes with text of all the more important United States Supreme Court decisions concerning motor carrier regulation. In addition to a general index, there are a complete glossary of technical terms and abbreviations, and an appendix of forms for necessary operating documents, such as driver's employment applications, chattel mortgages, traffic survey, etc. In the appendix there are twenty pages of helpful tables and charts covering such useful information as the gasoline tax levied in each state, the weight per cubic foot for over 400 different counties, registration fees and special taxes in each state, etc.

FRANKLY, a "review" of such a book is difficult, if not impossible, because the work covers so many different professional subjects that a board of specialized reviewers would be necessary to form any competent opinion of the total work. A single reviewer can only judge the book on those portions which cover a field in which he is familiar. That being the case, suffice it for this writer to say that if the book as a whole is as well done as the chapters on regulatory law, it is indeed an operating encyclopedia for the commercial trucking business.

A companion book issued by the same publishers is *Federal Motor Carrier Regulation* by McCollester and Clark. This is an analysis and annotated interpretation in more detail of the Federal Motor Carrier Act of 1935. It will probably not enjoy the popularity of the *Red Book* but it deserves ownership and careful attention.

—E. S. B.

THE MOTOR TRUCK RED BOOK. Compiled and edited by F. Leslie Jacobus, Editor, et al. Traffic Publishing Co., Inc. New York, N. Y. 1936 edition. Price \$7.50.

FEDERAL MOTOR CARRIER REGULATION. By Parker McCollester and Frank J. Clark. Traffic Publishing Co., Inc. New York, N. Y. Price \$4.00.

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# The March of Events

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## Guffey Act

THE administration last month started to crack down on coal producers in an effort to enforce the Guffey Coal Control Act. The hold-out coal operators showed no inclination to back down on their stand that the act is unconstitutional.

The administration is carrying out its threat to withhold government contracts from companies which are not using coal produced under Guffey act provisions. The pressure on industry to buy only coal produced under the Guffey act and the pressure on the recalcitrant coal companies to conform to the act was expected to increase as more new government contracts are awarded. It had reached such a point that electric power companies were beginning to ask for certificates from the companies selling them coal that they are working under the coal contract provisions.

## Limits Profit

A "GENTLEMAN'S agreement" between the Chilean Electric Company—an affiliate of the American & Foreign Power Company of New York—and the Chilean Minister of Finance, Gustavo Ross, was recently disclosed. It involved an enlarged control by the Chilean Government over the production and distribution of electricity throughout the country, although the South American Power Company—of which the Chilean organization is a branch—has a long-term contract allowing it to operate without state influence or supervision. The tentative plan was revealed in an exchange of letters between Ross and President Arturo Alessandri, of Chile. Final opinion was withheld until a court decision in a suit against the Chilean Electric Company, for violations of the exchange control law, would be rendered.

The proposed plan involves mergers of many small companies under the Chilean Electric Company. If the earnings exceed 6 per cent, one third of the profit will go to the shareholders and the other two thirds to the government, but at least half of the government's quota shall be applied to decrease costs to consumers.

The agreement gives the company the right to produce and sell electric energy during the rest of the present century and part of the next without any influence or control by the state. Mr. Ross pointed out, however, that if the government does not recover control of production and distribution of electric energy, it will be impossible for the government to

comply with its duties of preserving and utilizing the sources of national wealth for the benefit and happiness of all citizens.

## Federal Control of Utilities

IF the Supreme Court invalidates the Wheeler-Rayburn holding company act, President Roosevelt expects to find other means to bring utility giants under strict control of the government, it was revealed last month at a press conference. The President said that while he is anxious for Supreme Court rulings on many measures of the recent Congress with a view to assuring that all steps taken conform to the Constitution, he intended to maintain the new government structure and will act quickly to plug any holes found by the court in such measures as the holding company act or TVA act. The fact that Congress will be in session when most of the rulings on controversial measures are handed down, will, it is expected, enable the administration to pass quickly such additional legislation as may be made necessary by reason of Supreme Court decisions.

Meanwhile, the Securities and Exchange Commission declared that the government was anxious to secure an early determination of the constitutionality of the holding company act. A year ago the utilities were seeking government cooperation in a test of the TVA act, but were given the cold shoulder. Developments in December indicated that no greater success will attend efforts to find a common ground on which to prosecute a test of the holding company act.

The controversy over legal procedure, as a result, took a vitriolic turn, evidenced mainly by statements from Senator Norris and Attorney General Cummings. Senator Norris charged the "power trust" had filed more than 80 suits against the utility holding company act in the lower courts in a "disgraceful" attempt to "paralyze" government legal forces. This was denied by Philip H. Gadsden, chairman of the public utility executives committee, who declared that the utilities had offered to cooperate with the government in bringing about a speedy and comprehensive review of the act.

## Commission Refuses to Join Test Suit

INTEREST in the Federal Power Act (Title II) last month turned temporarily to the state commissions of Connecticut, Massachu-



## PUBLIC UTILITIES FORTNIGHTLY

setts, and New York. The Federal Power Commission refused to join with the Hartford Electric Light Company in making a legal test as to what constitutes interstate commerce and how far Federal control can go in connection with a nominal amount of interstate commerce. Instead, the FPC decided that it should lay before the state commissions the situation brought about when the Hartford utility and the Connecticut Power Company cut their interstate connections shortly before presidential approval of the public utility act. As to action in the premises by the states, it appeared doubtful if anything would be done.

Incidentally, a demand by the Federal Power Commission for information regarding the severing of connections brought on for the first time an invocation of Connecticut's new law seeking to safeguard state jurisdiction over local utilities. The FPC did not receive the information requested until after the Hartford utility secured premission from the Connecticut commission to give it.

### Telephone Credit Plans

At the joint meeting of the Farm Underwriters' Association and the United States Independent Telephone Association in Chicago last November, the question of giving credit in farm rates for telephones on farms was discussed among other matters. The fire companies would not commit themselves on whether the presence of a telephone is of sufficient fire reduction value to warrant a change in rates.

### Huge Control Program Outlined

A huge control program over the Red river valley streams, with an eventual expenditure of perhaps \$100,000,000, loomed as a future likelihood between three states, Minnesota, North Dakota, and South Dakota, late in November. Power development did not appear as a major objective in this plan, but would doubtless be an important element if the program is actually undertaken. The Federal government, it was indicated, would probably be asked to finance the work.

### Envisions Huge Power Plan

SENATOR George W. Norris of Nebraska, who dreamed into reality the gigantic Tennessee valley project, was reported dreaming another dream of staggering proportions. Senator Norris last month revealed his new idea of duplicating TVA on a grand scale to embrace the whole Mississippi river system. He envisaged a project that would utilize the Father of Waters and all its tributaries to carry cheap electricity into that vast expanse between the Appalachians and Alleghanies on the east and the Rockies on the west, to harness those rivers which swell every few years into devastating floods, and to open their channels still further to navigation. Senator Norris was reported to be considering a bill for this vast project to substitute for the bill he introduced last session for a TVA in the Missouri river valley.

### Artificial Gas

THE STUART Lyon, chairman of the Ontario Hydro Commission was reported last month to be again agitating for development of artificial gas by using electric power to break down the hydrogen-oxygen combination in water. He hopes thus to take up the slack of electricity going to waste, and to save about half the coal and oil used to make gas. No way had yet been discovered, Mr. Lyon pointed out, whereby Hydro could use its water power energy producible between midnight and 6 A. M. or store that energy in usable form.

### Cancels Contracts

THE Ontario Government early last month proclaimed its Power Act, canceling power purchase contracts with four Quebec companies, after a conference with representatives of the companies had failed to produce an agreement. The four companies involved are Gatineau, Beauharnois, Ottawa Valley, and MacLaren-Quebec.

Negotiations are expected to be resumed after the Dominion-Provincial conference which was to be held some time in December.

## Arkansas

### Application Rejected

PUBLIC Works Administration officials last month revealed that the proposed \$3,080,000 allotment to Little Rock for a new water supply project had been revoked and that the money would be reallocated to other Arkansas

projects. Application by Little Rock for \$6,000,000, which would include construction, not only of a water supply but a distribution system, was likewise rejected.

The reason given was the delay that would be encountered in acquisition proceedings by the city of Little Rock.



## THE MARCH OF EVENTS

### California

#### Municipal Rapid Transit versus Municipal Power

CITY authorities of San Francisco are faced with a dilemma in determining whether to take up the question of municipal rapid transit or municipal power distribution. The city is in a position to raise enough money for one but not for both. It already has complete power distribution by a private utility but is in danger of losing its water and power rights in the Hetch Hetchy dam unless, in compliance with a ruling by Secretary Ickes, it also possesses its own electric distribution system. Since the city lacks a competent rapid transit system, it is believed it will not have one unless the city builds it. The fact that Bay Bridge will be completed by the end of 1936 makes the transit problem more acute.

#### Asks Dismissal of Phone Complaint

DEFENDING its rates as lower than reasonable, the Southern California Telephone Company, in a brief filed early in December with the state railroad commission, in the action of Los Angeles against the public utility, asked permission to work itself out of the depression under existing tariffs.

The company's brief recited that the average investment in plant, equipment, and working assets for the total operations of the company for the year 1934 was \$167,679,540.14, that the net operating income was \$7,919,685.91, and that the return on the average investment in plant, equipment, and working assets was 4.72 per cent. Return on fair value was given as 4.53 per cent.

### Connecticut

#### State Claims Control

IN a clash over whether the Federal government or the state of Connecticut has the right to control interstate commerce on highways of the state, the public utilities commission on December 3rd ruled Connecticut has the "right to exercise reasonable control over its own highways." The clash came in the application of the Eastern Greyhound

Lines, Inc., of New England to the utilities commission for authority to make a minor change in its route between Boston and New York. The New England Transportation Company opposed granting of the application, stating the Federal Motor Carrier Act of 1935 "deprived this commission of any jurisdiction to grant this application and that only the Interstate Commerce Commission has jurisdiction to grant the same."

### Indiana

#### Gas Boost Surprise

MEMBERS of the city of Indianapolis utilities board of directors were subjected to a surprise at their regular meeting last month when Mayor Kern appeared with communications from Washington indicating there was available \$750,000 of WPA money for use in the improvement and rehabilitation of the property of the Citizens Gas and Coke Utility. An application for this money, made to the government with the representation that it could be used for the purpose of building a pipe line to provide manufacturers with gas, had been pending for several months but the directors had not done anything to promote negotiations. Announcement by the mayor found the utilities district with no prepared plans for its use and with some irreconciled differences among the board members as to

the desirability of developing natural gas as city fuel. Steps were ordered to be taken to prepare plans for the use of this money.

#### Huntington Light Company Formed

THE formation of the Municipal Light, Heat and Power Company, Inc., with an object of building a light and power plant in or near Huntington and of acquiring a distribution system for electricity was regarded by observers as a part of the fight of Mayor C. W. H. Bangs and his city administration against the Northern Indiana Power Company.

Mayor Bangs said that the corporation was entirely outside the attempt to make Huntington's street lighting plant into a public utility.

## PUBLIC UTILITIES FORTNIGHTLY

### Light Contract Rejected

**T**HE proposal of Indianapolis Power and Light Company to sell the city equipment used for street lighting on a 10-year contract in connection with the furnishing of electricity was flatly rejected by the city board of works and sanitation November 27th.

The proposal, which included payment of approximately \$95,000 a year by the city for the purchase of the equipment, was described by the city engineer as "unreasonable."

Further negotiations between the city of Indianapolis and the light company will be conducted in an attempt to reach an agreement, it was said.

## Iowa

### Defeats Bond Issue

**B**y a vote of more than two and a half to one the voters of Sioux City recently registered disapproval to the proposition to issue \$2,500,000 in bonds for the erection of a municipal light and power plant. The total vote was 1,705 for and 4,427 against. The election followed agitation for a municipal plant that reached the action stage as early as 1932.

Two reasons were attributed by the local press to defeat of the measure: (1) opposition of the taxpayers to going further in debt; (2) the treatment given the city by the power company serving it, a treatment featured by

several rate reductions, good service, and improved public relations.

### Free Municipal Service

**B**OTH town and rural patrons of the Traer municipal electric light plant were given free service during the month of November. The gift represented a saving of approximately \$3,000 to patrons.

The trustees, it was said, were not planning a reduction of rates, as Traer's rates rank among the state's lowest. The plant was expected to be entirely free of debt by 1936 and the rates to be permanently lowered then.

## Kentucky

### Phone Rate Cut Ordered

**T**HE Louisville board of aldermen took the matter of telephone rates into its own hands recently and ordered the Southern Bell Telephone Company to reduce its local charges 25 per cent after January 1st.

In an ordinance the city provides a penalty of \$10 to \$15 for each instance if the company endeavors to collect more than the ordinance rates, or stops service to any subscriber who refuses to pay rates higher than those prescribed.

City officials said the telephone company would be required to argue its case before the state public service commission before it can go to court. An appeal to Federal court, spokesmen for the city said, is prevented by the Johnson bill passed by the last Congress.

### Gas Refund

**T**HE city of Lexington and the Central Kentucky Natural Gas Company recently agreed to end a 10-year-old gas rate battle, this time with court approval. The agreement called for distribution of \$390,000 in refunds to consumers.

Under the agreed order, the consumers would be paid back at the rate of 5 cents for each 1,000 cubic feet of gas purchased since December, 1927.

### Housing Projects Include Utility Service

**T**HE Public Works Administration last month announced the awarding of contracts in Louisville and Lexington for the construction of low-rent housing projects. Gas, but not electricity, was to be included in the rent paid by tenants of Louisville's second housing project undertaken by the PWA. The project includes 124 dwelling units of 2 to 5 rooms and will cost \$700,000. Refrigerators and stoves were to be furnished, and gas purchased on a wholesale basis. Electricity for lighting will be purchased at retail by the tenants.

Specifications for the Blue Grass park project at Lexington call for the laying of foundations for 48 groups of row houses and a central heating plant. In addition to complete sanitary facilities, tenants in this project will have the additional convenience of complete electric service. Gas cooking ranges will

## THE MARCH OF EVENTS

be provided for tenants. Gas and electricity will be purchased for the project on a wholesale basis, and the cost of their use included in the rents charged. Heat will be provided from the central plant, the cost to be included in rents.

### Predicts TVA Will Supply Kentucky

**P**OWER director of the TVA, David E. Lilienthal, recently stated that cheap electric current for Kentucky furnished through de-

velopment of power and navigation dams by the TVA on the Tennessee river, is not only probable but is one of the main objectives of the Federal government.

Addressing a public meeting in Louisville, Mr. Lilienthal said the TVA is obligated to supply electricity to points in Kentucky as well as any of the other states within transmission distance.

Delivery of electric current to Kentucky communities, it was declared, depends on completion of Aurora dam on the lower Tennessee, with Norris dam on the east and Aurora dam on the west.

## Louisiana

### Rehearing Denied

**T**HE Southern Bell Telephone and Telegraph Company, through its attorney, was denied a rehearing December 2nd by the state supreme court in connection with the statewide telephone rate reduction order. The tribunal several months ago by unanimous decree affirmed the action of Judge W. Carruth Jones in the East Baton Rouge district court in dissolving a temporary injunction granted the telephone company which had stayed the Louisiana Public Service Commission's reduc-

tion order. At the same time the supreme court remanded the litigation to the lower court to be heard on its merits. The case came to the tribunal on an appeal instituted by the telephone company.

The public service commission's order, reducing the rates from 50 cents to \$1 a month for each subscriber, was put into effect after Judge Jones dissolved his own order. The telephone company contends that if the order is permitted to stand its revenues in Louisiana will be slashed \$600,000 a year and that it would not earn a fair return on its investment.

## Maryland

### Turkey Marketing Stops Telephones

**T**HE Thanksgiving spirit played havoc with the telephone service at Jennings, according to a telegram to the public service com-

mission from a subscriber. The message read: "For your information, no telephone service yesterday or today. Understand operator butchering turkeys for market."

The commission promptly sent an inquiry to the company serving the town regarding the subscriber's complaint.

## Massachusetts

### Tax Recommendations

**A**MONG other recommendations for increasing tax revenue made by a special commission to the incoming state legislature was a proposed tax of \$1 per year for each telephone in use, to be paid by the companies and not passed on to subscribers. The commission also recommended raising additional revenue through a tax of one-half cent for each 100 cubic feet of gas sold by the companies; and

electric light and power companies at the rate of one mill per kilowatt hour for each kilowatt sold.

The commission suggested that the basis for the franchise tax for public utilities be changed and that a franchise tax be levied upon gas, electric light and power, and telephone companies, using as a yardstick the same units of measurement which the public utility uses in charging for its service, it is reported.

## PUBLIC UTILITIES FORTNIGHTLY

### Michigan

#### Power Plant Attacked

**S**TATE Circuit Judge X. A. Boomhower early last month enjoined Fairbanks, Morse & Co. from proceeding with its contract to build a municipal power plant in Croswell. The petition for the injunction, filed by the city

attorney, charged that the special meeting held in October, at which the contract was awarded, was illegal. It appeared that many former supporters of the municipal plant movement are opposed to the project since the Detroit Edison Company offered to supply power at a more favorable rate.

### Minnesota

#### Receives Ordinance for Rate Cut

**A**n ordinance providing for the 7 per cent reduction in electric rates, starting January 1st, has been introduced in the St. Paul city council by Mayor Gehan and the city commissioner of public utilities. It was indicated that the ordinance probably would be adopted unanimously.

In a letter to the council stating that residential consumers had been given the benefit of recent rate reductions, R. F. Pack, president of the Northern States Power Company, urged allocation of the entire \$125,000 reduction proposed for 1936 to commercial lighting rates.

Mayor Gehan, commenting on the letter, said, "We have an agreement that gives the city council the right to allocate the \$125,000

reduction in 1936. If the power company thinks the rates are unreasonable to commercial users, it is within its power to put the lower rates into effect here in addition to the new residential rate."

#### Tax Proposals

**A** SWEEPING tax program admittedly designed to redistribute wealth and at the same time provide revenue for payment of liberal old-age pensions was recommended to the state legislature early last month by Governor Olson in his message to the special session.

Among his tax recommendations were the following affecting utilities: (1) "Substantial" increases in telephone and railroad gross earnings, and (2) a 20-mill corporate excess tax applying only to public utilities.

### Mississippi

#### Refuse TVA Contract

**I**N a referendum election December 2nd, Oxford citizens voted, 290 to 237, against signing a Tennessee Valley Authority contract.

Oxford has its own city-owned light and power plant, which annually turns its profits into the city fund.

be perpetually enjoined against enforcement of the ordinance. Clayton, who asked that the costs of the court proceedings be taxed to the city, told Judge Cox that the "ordinance is confiscatory," because on the rate base of \$1,263,125, he said, the net return to the company would only be \$7,957, or a percentage of .0063. Judge Cox took the case under advisement.

#### Asks Power Writ

**S.** P. CLAYTON, arguing for the Mississippi Power Company before Federal District Judge Allan Cox December 2nd, urged that the temporary injunction restraining the city of Meridian from enforcing the 1933 rate ordinance be made permanent and that the city

#### Legislature Adjourns

**A**FTER nine weeks of a special session, the state legislature adjourned early last month, having adopted a law exempting from taxation for five years all rural power and distribution lines of the Tennessee Valley Authority.

## THE MARCH OF EVENTS

### Missouri

#### Rate Case Goes to Supreme Court

THE Missouri Public Service Commission on December 6th appealed to the Supreme Court for the right to regulate rates on natural gas sold in Missouri by the Cities Service Gas Company, pipe-line owner operating from fields in Texas, Oklahoma, and Kansas. Asserting the pipe-line company was a "wholly

owned subsidiary of the Cities Service Company," the state commission said the gas company and other Cities Service distributing and holding companies had been formed as "separate corporations as a mere subterfuge to avoid state regulation." The state commission is protesting a decision by the Missouri State Supreme Court on September 4th. It held the pipe-line company was engaged in interstate commerce and so immune to state regulation.

### Montana

#### Seeks Lower Gas Rates

At a meeting of the state railroad and public service commission, Commissioner Leonard C. Young made a strenuous effort to materially reduce the gas rates and the minimum charge per month for gas at four Montana towns, effecting savings for the consumers of "hundreds of dollars a month." His

efforts were resisted by the board of commissioners.

Young tried to cut the minimum rate of \$2.50 per month for gas, which he said was the highest minimum gas rate in the United States, to a minimum of \$1, but the other commissioners declined to accept the reduction. This minimum is charged no matter how little gas is used.

### Nebraska

#### Farm Power Project Approved

ANOTHER rural electrification loan was made by the Rural Electrification Authority December 3rd, this time to the Southeastern Nebraska Public Power District, which gets \$440,000. The project embraces the construction of 450 miles of line and service to 1,117 farms. This Nebraska power district was

financed by the Public Works Administration with a \$405,500 loan and a gift of \$169,500. Approval of the loan brought to three the number of rural electrification projects in Nebraska that have won Federal loans. The others are the \$310,000 Roosevelt rural public power district at Mitchell and the \$65,000 Gering valley rural public power district at Gering.

### Oklahoma

#### Grand River Power Dam

STATE PWA officials were reported recently to be gloomy over the outlook for the proposed Grand river power dam project after their trip to Washington. The Federal gov-

ernment was said to be cool towards lending or granting money to a project subject to a state law requiring that a definite market be established for power before a plant is built, and that such power can be sold only at wholesale at the switchboard.

### South Carolina

#### Furnish Power for Rural Electrification

TWO power companies operating in South Carolina were ordered November 27th by

the state public service commission to furnish electricity for the state rural electrification program at rates prescribed by the commission. The companies, the South Carolina Power Company of Charleston and the Carolina Power and Light Company of Raleigh,

## PUBLIC UTILITIES FORTNIGHTLY

N. C., opposed the proposed rates strenuously on grounds that they were unconstitutional, discriminatory, and unfair. They declared they could not generate electricity and sell it at the price proposed without suffering a loss. The rates ordered by the commission range from nine mills to 1.5 cents per kilowatt hour. A similar order had been issued against the Broad River Power Company.

### No Appeal on Santee-Cooper

**T**HE 90-day period allowed for obtaining a writ of certiorari or perfecting an appeal

to the United States Supreme Court expired December 10th without an appeal having been made from the state supreme court's decision in litigation attacking the Santee-Cooper power and navigation project, which was believed by many to be imminent. The state supreme court, in its opinion handed down September 10th, declared the act creating the state authority to handle the Santee-Cooper project constitutional and valid in all particulars.

Secretary Ickes on December 3rd said he had transmitted to President Roosevelt, "without recommendation," the favorable report of a special committee investigating the feasibility of the proposed project.

## Tennessee

### City Plants Balk TVA

**T**HE Tennessee Valley Authority's proposed electric power hook-up of west Tennessee towns faced a barrier December 4th that apparently threatened its completion. Union City, Dyersburg, and Trenton refused to abandon their municipally owned power plants for the TVA system of distribution and opposed entering into a 20-year contract to buy power from the TVA. A fourth municipality, Covington, was also reported withholding its approval. Acceptance by these four cities is needed to complete a "loop" of TVA's proposed west Tennessee operations. The mayor of Union City explained that his city wishes to "sell power without government meddling." Officials of all four towns pointed out that acceptance of the TVA rate standards would force them to increase local taxes.

### Seeks a Little TVA

**T**HE recently created Cumberland Valley Association is campaigning for creation of

a "Little TVA" on the Cumberland river, estimated to cost \$183,879,000. The Cumberland project would embody three objectives: (1) navigation of the river with a minimum 9-foot channel from the Ohio river to Cumberland Falls, Ky., a distance of 562 miles; (2) elimination of destructive floods on the river from Burnside, Ky., to the river's mouth; (3) hydroelectric development of 1,000,000 kilowatts or 1,400,000 horsepower.

Power possibilities of the project are estimated at approximately one fourth of those of the Tennessee valley project. The Cumberland project would include a series of storage dams on the tributaries of the Cumberland river.

At the opening of Congress in January, in order to inform Congress of the purpose of the project and ask support of the measure, the association will seek headquarters in Washington, it was announced recently by Toney Maxey, attorney and founder of the association.

The bill was passed in the House during the 1935 session of Congress, but was killed by a committee in the Senate.

## Virginia

### Telephone Toll Charges Cut

**T**HE state corporation commission announced November 30th, after weeks of negotiation, that the Chesapeake and Potomac Telephone Company of Virginia and its connecting companies will cut long-distance toll charges in Virginia approximately \$115,000 per year, effective December 1st.

At the same time, it was announced that the company will lower the special rate charged for hand-set telephones by approximately \$32,-

000. The present rate for hand-set telephones in Richmond and elsewhere is 25 cents per month for eighteen months, or a flat charge of \$2.50.

These savings are two of several which the commission and officials of the telephone company have been able to work out for the telephone users of the state during the past year, the commission said. The total reductions during 1935 amount to annual savings of more than \$250,000 to the telephone subscribers.



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# The Latest Utility Rulings

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## Rules Governing Charges for Utility Contributions

THE Public Utilities Commissioner of Oregon, in approving certain contributions or payments by a public utility company and disapproving others, laid down rules which he considered applicable. These items in the proposed budget of the company were grouped into three classes:

(a) Contributions to charitable organizations and organizations for the promotion of social welfare;

(b) Contributions to chambers of commerce, festival associations, and other civic and community enterprises designed to stimulate trade and increase population in the various communities in which the company operates;

(c) Payments to organizations of the industry, trade journals, news services, safety councils, and similar organizations and committees.

He ruled that items in the class designated (a) must be charged to the account for miscellaneous debits to profit and loss, instead of operating expenses.

As to contributions falling within the class designated (b), he stated the rule:

... if the beneficiary of the donation is *bona fide* principally devoted to an effort reasonably tending to stimulate the sale of the company's products the proposed donation can be justified as an operating expense, otherwise must be rejected.

Applying this test, he approved payments to the Portland Chamber of Commerce; Oregon Manufacturers' Association, and other local organizations of this type. He disapproved a proposed contribution to the Chamber of Commerce of the United States at Washington, D. C.

Concerning the class of contributions under (c) he said:

If the proposed contribution tends to make available to the utility technical information

furthering the sale of its products, the efficiency of its service, or economies in operation, the same should be approved as an operating charge. Contributions or payments to organizations devoted primarily to securing reductions in taxes come within the permitted class.

Applying this test, he approved contributions to the Edison Electric Institute; Illuminating Engineering Society; National Safety Council; National Tax Association; Oregon Taxpayers League, and other organizations of a similar type.

He disapproved a proposed contribution to the Industrial News Bureau of Portland on the ground that its function appeared to be the dissemination of editorials and news articles favorable to public utilities as a class. The service, he said, was not primarily devoted to the electric or steam-heating industry but was general in its scope. Its function was apparently along the line of building of good will and was at least semi-political in scope and not directly associated to, nor designed for, the principal purpose of increasing the sale of utility products or increasing the efficiency or economy of the utility's operations. This contribution was said to be a worthy one from the point of view of the stockholders, but could not be justified as a charge to ratepayers.

A contribution to the National Security Owners Association was also disapproved. Its activities, said the commissioner, were not confined solely to effort on behalf of public utilities, and the individuals benefited were not the ratepayers but the stockholders and bondholders. This was said to be an entirely legitimate and proper corporate expense, but not chargeable against operating expense. *Re Northwestern Electric Co. (5506-E-33, P.U.C. Oregon Order No. 3056).*

## PUBLIC UTILITIES FORTNIGHTLY

### Experience Best Guide to Telephone Depreciation Rates

THE Northwestern Bell Telephone Company was ordered by the Nebraska commission to apply, for the year 1935, an overall composite depreciation rate of not to exceed 3.82 per cent upon its depreciable property in Nebraska. The company was given the option to apply such composite rate to primary accounts. This order followed an earlier order based upon a commission decision, upheld by the state supreme court, that the commission had jurisdiction to fix the rate as it had done.

The commission did not fix composite rates by primary accounts as it saw "no sound reason for fixing depreciation rates by primary accounts until such time as the accumulated balance in the reserve for accrued depreciation has been segregated and maintained by primary accounts."

The company in presenting its case used the mortality method for groups of property made up of a large number of individual units, the nature of which made it practicable to keep life history records of each individual unit. It used the turnover method for groups of property made up of a large number of units which could not be followed through the accounts as individual units. It also employed other methods.

The commission found that the company, as to depreciating accounting, had followed the rules prescribed by the Federal commission; but, as to computing depreciation rates, the commission found that the company had included an allowance for loss in service value of

property expected to be installed in the future and prohibited by the uniform system of accounts.

The conclusion was reached that experience is the best test of depreciation requirements and that there is a direct relationship between accrued depreciation and balance in reserve for accrued depreciation. Commissioner Bollen, speaking for the majority, said in part:

We now hold that the experience of a single year does not form a sound basis for estimating future depreciation rates. On the other hand we hold that company's actual experience with retirements covering a period of time which equals or approaches to an average turnover or cycle of all depreciable property, forms a sound basis for estimating future depreciation rates.

Commissioner Drake dissented, with the statement that the company in response to the commission's order had appeared and introduced testimony to support a showing that the proper rate of depreciation to be charged was 4.41 per cent and that there was no testimony of any witnesses for the commission which would break down the testimony of the company's witnesses as to life expectancy of any of the different classes of property.

He also observed that the amount of dollars shown in the depreciation reserve belongs to the plant, and, as such, is subject to future consideration by regulatory bodies and the ratepayers, while the amount thrown into surplus is immediately available for dividends and becomes lost to an interest of the ratepayers. *Re Northwestern Bell Telephone Co. (General Order No. 59).*



### Authorization to Keep Records Outside of State

THE New Jersey Board of Public Utility Commissioners acted on five applications by public utility companies for authority to keep books and records outside of the state. Permission was granted in two of these cases and denied in the other three.

The applications were made under a provision of the New Jersey law that every public utility shall at all times keep within the state all records, books, accounts, documents, and other writings relating to contracts entered into, transactions had, services rendered, business

## THE LATEST UTILITY RULINGS

done, and property within the state, and that they shall at no time remove them from the state without the consent in writing of the board of public utility commissioners. The board is authorized to consent to the utilities keeping them outside the state under such regulations and conditions as it may see fit to impose, when such consent may be to the financial advantage to the customers of the public utilities.

In passing on the applications, the commission considered the relative expense of maintaining the records within the state and without the state. In the cases where permission was granted the board imposed the conditions that the utility certify and file with the board a descriptive list of books and records to

be kept out of the state; that such books and records would not be destroyed, discontinued, or supplemented without authority of the board; that such books would be promptly produced within the state on notice; that the permission granted extended to no other books or records except those specified; that the utility would pay to the board any reasonable expense of investigation or examination incurred by the board as a result of the permission granted; and that the utility should file a written acceptance of the conditions imposed by the board. *Re Sussex Telephone Co.; Re Delaware River Water Co.; Re New Jersey Telephone Co.; Re Portaupeck Water Co.; Re Orange & Rockland Electric Co.*



### Handling of Telephone Toll Messages

THE Ohio commission ordered that the Northern Ohio Telephone Company desist from its practice of interrupting, delaying, and ticketing incoming long-distance messages at one of its exchanges, and that the company observe the established practice with respect to such messages followed by it in other exchanges and by other telephone companies at their exchanges throughout the state.

It appeared that in other exchanges it was the established practice that all inward long-distance messages should be ticketed, timed, and handled to completion by the calling toll center operator without again being ticketed at the inward local exchange. The commission found that the practice at the exchange

where the exception had been made served no useful purpose, was unnecessary, and was without justification.

The commission also ordered that the company, in the case of all outward long-distance messages from its tributary exchanges not destined to privileged points (that is to say, to the toll center of such tributary office and its tributaries and to other points to which such tributary has a direct circuit), cause the tributary operators to pass the calling subscriber forthwith to the toll center of the calling party's tributary exchange, such calls to be ticketed, timed and recorded, and handled to completion by the toll center operator. *Ohio Bell Telephone Co. v. Northern Ohio Telephone Co. (No. 9525).*



### State Power to Control Interstate Vehicles Not Ended by Federal Act

OBJECTION to authorization of a change in route of an interstate motor carrier was made to the Connecticut commission on the ground that the passage by Congress of the Motor Car-

rier Act of 1935 deprived the commission of any jurisdiction to grant the application and that only the Interstate Commerce Commission had jurisdiction. The commission, overruling the objec-